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Free Minds and Free Markets / October 1982 / $2.00

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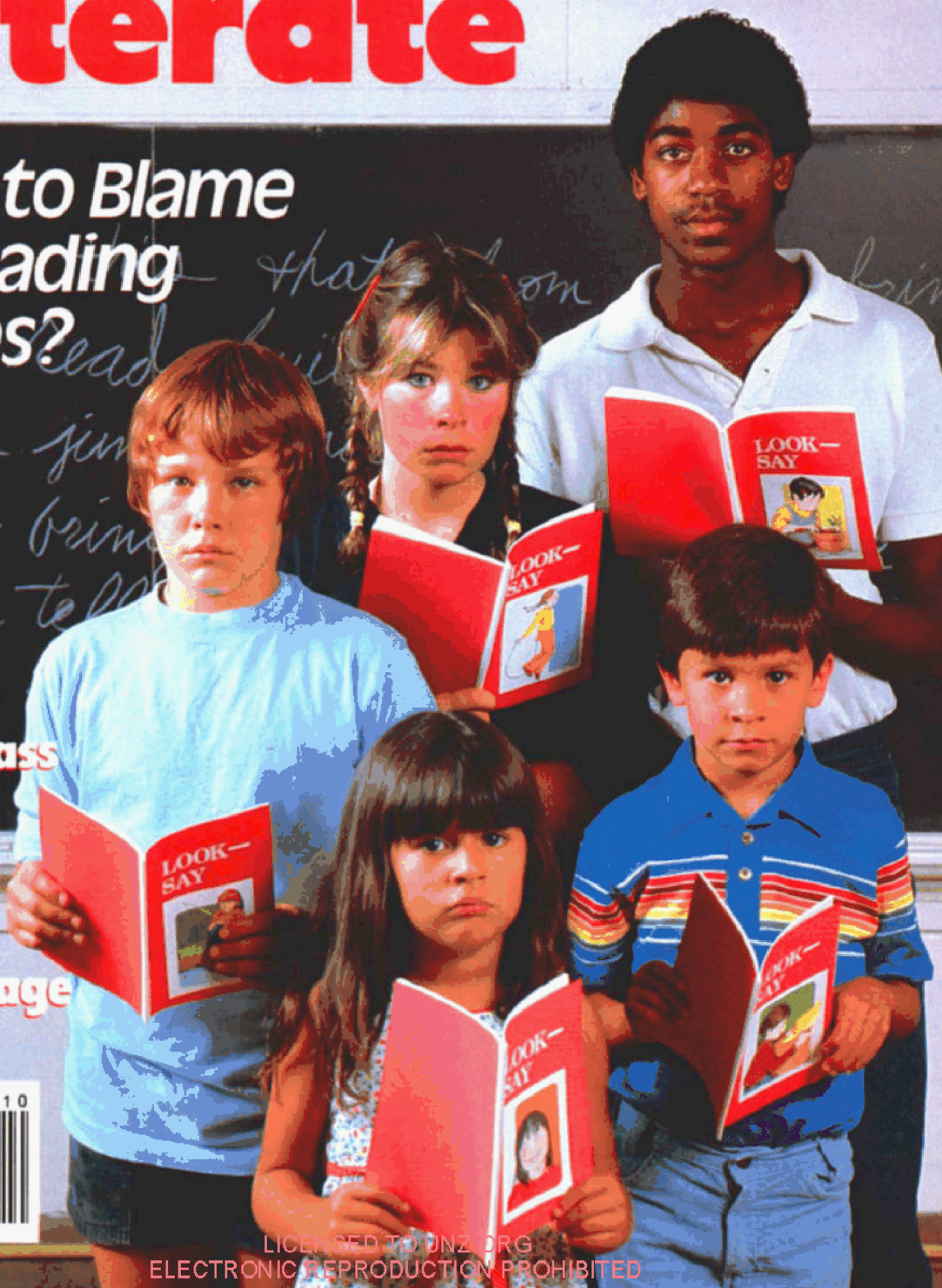

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THE GOVERNMENT AGAINST THE ECONOMY

George Reisman

Foreword by
William E. Simon

How to argue *FOR* capitalism and *AGAINST* the mixed economy

Two books in one: a primer on free market economics and a dissection of current economic events

The defense of capitalism is serious business.

If you are an advocate of the free market, but think it needs to be better explained than it has been, then you need George Reisman's book *The Government Against the Economy*.

In just 207 pages Professor Reisman presents a brilliantly clear, irresistably persuasive exposition of free-market price theory, along with a devastating analysis of recent government assaults on the economy through policies of inflation and price controls.

THEORY AND PRACTICE

With flawless precision and logical rigor, Reisman develops free-market principles, and then makes them come alive in brilliant explanations of virtually every aspect of the energy crisis, rent controls and housing shortages, and the chaotic economic conditions of Soviet Russia. In the spirit of an early modern scientist debunking the superstitious myths of the Dark Ages by reasoning from well-established principle, Reisman takes on the contemporary intellectual establishment and news media and their economic mythology. He proves how a free market would make shortages absolutely impossible and provide increasing abundance for everyone. Along the way he shows why the ecology movement is not only wrong in its claim of "limits to growth," but is also a threat to the improvement of man's environment.

RELENTLESSLY LOGICAL, MANIFESTLY EMPIRICAL

In page after page, sentence after sentence, you will be led to understand free-market principles, and then see them illustrated in the rich detail of current events. In all cases, the government's policies are shown to hamper and destroy the smooth functioning of the market, to decrease the well-being of everyone, and to deserve full responsibility for the economic problems now being blamed on the free market. Subchapter headings from *The Government Against the Economy* demonstrate that no sacred cows are spared from Reisman's analysis:

- Why There Are No Limits to Progress in a Free Economy
- Why the Arab Oil Embargo Would Not Have Been a Threat to a Free Economy
- Price Controls as a Cause of War
- Hoarding and Speculation Not Responsible for Shortages
- The Destruction of the Utilities and the Other Regulated Industries
- The Campaign Against the Profits of the Oil Companies
- How the U.S. Government, Not the Oil Companies, Caused the Oil Shortage
- The Conspiracy Theory of Shortages
- How Repeal of Rent Controls Would Restore Harmony Between Landlords and Tenants
- How Price Controls Actually Raise Prices
- The Case for the Immediate Repeal of Rent Controls
- The Prosperity Delusion of Price Controls: The World War II "Boom"
- The Real Solution To Inflation

IT'S YOUR FUTURE

In the last third of *The Government Against the Economy* you will get a vivid and memorable demonstration of the ultimate consequences of price controls if present policies continue. Reisman describes the chaos created by partial price controls, the imposition of universal price controls to correct the chaos created by partial controls, and the *de facto* socialization of the economic system that must finally follow. The chaos and tyranny of socialism, its necessary reliance on terror and forced labor, and its ultimate collapse in the absence of outside aid are all discussed in an impassioned detail that should make every lover of freedom want to stand up and fight for capitalism.

WHAT THE REVIEWERS HAVE SAID:

- Every commentator on current affairs who is not a fully trained economist ought to read this book if he wants to talk sense. I know no other place where the crucial issues are explained as clearly and convincingly as in this book.
  —F. A. Hayek, Nobel Laureate in Economics for 1974
- This is one of the most powerful and convincing books I know. Its explanations are brilliantly clear; its analyses are lethal; it is uncompromising.
  —Henry Hazlitt, Author, former *Newsweek* columnist and *New York Times* financial editor
- The book is lucid throughout; the effects of price controls are described in prose as clear as it is chilling. Reisman's book would serve as an excellent introduction to economic thinking.
  —*Barron's*
- The best introduction to real economic understanding I know of. The exposition is irresistably persuasive.
  —*Human Events*
- Dr. Reisman gives us Economics 101 as it should be taught.
  —*Reason*
- . . . a good, concentrated course in economics for the intelligent noneconomist.
  —*Chronicles of Culture*
- I dipped into Reisman's book soon after it arrived, quickly became hooked, and finished reading it in short order. It does a magnificent job of explaining general economic interdependence and the logic of the price system.
  —Leland Yeager, Professor of Economics, University of Virginia
- I began to dip into *The Government Against the Economy* and soon found my attention riveted to it. I then dropped almost everything else until I had read it through. An absolutely first class work.
  —Arthur Shenfield, Former Chairman, Confederation of British Industries
- The best account of the idiocy of price controls that I have read anywhere.
  —D. T. Armentano, Professor of Economics, University of Hartford
- One is struck by a feeling of profound respect for the explanatory power of abstract principles.
  —*The Intellectual Activist*
- The simplest, clearest, and most retainable exposition of the function of prices that I have ever read. The book can be read either as a textbook or as a dissection of current economic events; due to Dr. Reisman's thorough integration of theory with practice, it is both.
  —*The Objectivist Forum*

FOR THE SERIOUS DEFENDER OF CAPITALISM . . .

The Government Against the Economy will give you an arsenal of intellectual ammunition. It is a book to be read and referred to many times when confronting today's economic issues. The book is not written in the scholarly pretentious, tediously mediocre style of today's academic journals and books. Rather, it is lucid, lively, and easily grasped by the intelligent layman. In *The Government Against the Economy* you will enjoy the excitement of intellectual discovery, led step by step by the mind of a brilliant economist.

Order your copy today and join the ranks of the serious defenders of capitalism.

FREE—with each order received by November 1: "Capitalism: The Cure for Racism," a ten thousand word essay by George Reisman reprinted from *The Intellectual Activist*.

Enclosed is my ☐ check or ☐ money order for $14.70 ($12.95 plus $1.75 postage and handling) for *The Government Against the Economy*. (California residents add 6% sales tax.)
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OCTOBER 1982/VOL. 14, NO. 6

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Free Minds and Free Markets

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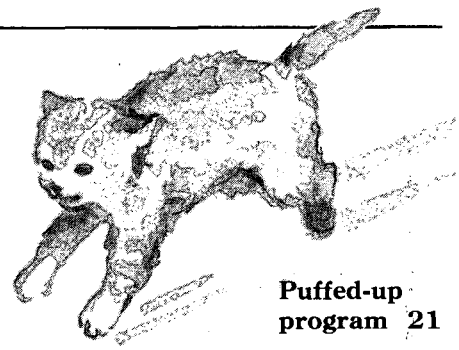

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NOTEs

This month's cover story on the problem of illiteracy is the third time writer Sam Blumenfeld has garnered the cover spot. His two previous pieces were "Why the Schools Went Public" in March 1979 (which provided a preview of some of the content in his 1981 book, *Is Public Education Necessary?*) and "Self-Help Schooling in South Boston" in November 1980.

International visitors have stopped in at the Reason Foundation in recent weeks. In June, consulting engineer Terry Markman from Johannesburg paid a visit, recounting his efforts to make the case for transportation deregulation in South Africa. Another summer visitor was Sture Eskilsson, director of the Swedish Employers Confederation, which represents 40,000 Swedish firms. A long-time REASON reader, Mr. Eskilsson is also president of AB Timbro, the publishing arm of Sweden's Free Enterprise Foundation. Timbro published the Swedish translation of Henri Lepage's *Tomorrow, Capitalism* (see the interview with Lepage on p. 40) and has also translated and published works by economists Milton Friedman and Gordon Tullock. A third visitor was transportation economist Gabriel Roth, coauthor of the article on p. 35, on his way to the Far East, who stopped in to compare notes on private-sector urban transportation.

Congress may be paying more attention to operational testing of new weapons systems in the wake of our much-publicized April cover story. The latest indication is the publicity given to a General Accounting Office report on the Maverick missile. Requested by Sen. David H. Pryor (D-Ark.), who placed the REASON article in the *Congressional Record*, the report says that five years of operational testing have failed to show that the antitank missile "can be used effectively . . . in combat" and advised that Congress not approve production. Now that the press and our lawmakers understand the operational testing game, perhaps they'll take such recommendations seriously.

Tom Hazlett, author of our July cover story on cable TV, was interviewed on WXYZ radio in Detroit on July 15. The following Monday was my turn, as editor of *Instead of Regulation*. Meanwhile, REASON articles continue to be reprinted and excerpted. Belgium's *West* magazine becomes the latest foreign publication to use material from REASON, with their reprinting of Petro Grigorenko's "Diplomatic Delusions" from our January issue. And Hoover Institution senior research fellow John H. Bunzel is including excerpts from our February cover story, "Inside the CED," in his forthcoming book on left-wing groups.

REASON columnists Durk Pearson and Sandy Shaw are enjoying tremendous success with their new book *Life Extension*. In just a few weeks it has leaped to the top of the bestseller list, displacing *Jane Fonda's Workout Book*.

In this column in August I mentioned the work of Senior Editor Manny Klausner and San Diego Councilman Fred Schnaubelt in drafting the Just Compensation Initiative, which would require local governments to compensate property owners whose property value was decreased by land-use controls. It turns out that the Washington State legislature has enacted the idea in the form of a new private property rights law that took effect June 10. Passage of the measure was the result of a two-year effort by the Washington Association of Realtors, based on the Klausner/Schnaubelt language.

—R. P.

In July I attended a symposium, "The New Resource Economics: Explorations with Journalists," put on by the Center for Political Economy and Natural Resources. As explained by Center director John Baden (coauthor of "Saving the Wilderness: A Radical Proposal," REASON, July 1981), "the new resource economics" looks at natural resource issues—which are often environmental issues—from the combined perspective of neoclassical economics, recent work in economics on the structure of property rights and on public-sector decisionmaking, and insights of the Austrian school of economics. The aim of the four-day conference, the second annual meeting for journalists on this subject, is to expose editors and reporters to this broadly defined economic analysis of such issues as pollution, resource exhaustion, wildlife extinction, and inefficient resource use.

—M. Z.

How to Win and Profit in Today's Mortgage Market

My name is R. J. Turner. I'm a real estate investor, developer, renovator and broker. And I'm *angry*.

The real estate establishment has conspired against homeowners, buyers, sellers, investors. You can count on the industry to tell you what's best for *them*—not for *you*. You'll *never* hear a broker or agent explain the full range of alternatives and options available—because the best deal for *you* may mean no commission for *him*.

As for today's highly touted "creative financing" techniques—many of them are complex and dangerous. Buyers and sellers alike are being trapped into deals that will result in horrifying financial consequences.

Frankly, I'm fed up. And that's why I've decided to fight back! I've written a book called *The Mortgage Maze: The Complete Guide to the Risks and Rewards of Creative Real Estate Financing*.

It's about time someone told the truth about today's real estate market. Time someone ripped the lid off the whole mortgage racket. Time you were shown what's *really* happening—and what buyers and sellers can do to protect themselves.

That's exactly what I've done in *The Mortgage Maze*. It's brand-new, and the *first* book of its kind. Based on six years of research, it's comprehensive and authoritative, yet easy to read and understand.

Survive and win in today's mortgage market.

I'm on *your* side. I'll help you *quickly* understand and cope with the current home financing market. Then you'll be prepared to make the choices that are right for *you*, and avoid the expensive mistakes that wipe others out.

This remarkable book covers 32 residential real estate financing techniques and vehicles. From the *conventional fixed-rate mortgage* to the many new *flexible and variable-rate arrangements*. From *sale/leasebacks* to *land contracts*. From *buydowns* to *equity sharing*. Plus *government mortgage programs* like VA, FHA, FNMA. *Exchanges. Raffles. Auctions.* And all the rest.

In every case, *The Mortgage Maze* explains the advantages and the drawbacks. You're shown the risks and the problems—and how to avoid them. Examples taken from real life make each point crystal-clear. And simple, step-by-step calculations demonstrate exactly what you'd be getting into financially.

You have a lot more bargaining power than you suspect. *The Mortgage Maze* will show you where you have leverage and how to use it. Negotiating strategies. When to compromise. And when to walk out and find another deal.

By the time you finish *The Mortgage Maze*, you'll have an *insider's* understanding of real estate financing. This is the kind of knowledge that will help you survive and win—even in today's terrifying market.

Everything you need to know.

You'll find useful chapters on *How to Profit from Condominium Conversion. Owning and Renting Apartments. How to Read a Real Estate Ad. How to Complete a Mortgage Agreement Package.*

The Mortgage Maze also includes an exclusive *Financing Vehicles Chart* that evaluates and compares each financing technique. At a glance, you'll be able to select the options that are appropriate for your needs.

Nowhere else will you find all this useful material in one place.

Whether you're a homeowner, buyer, seller, investor or real estate professional—*The Mortgage Maze* is absolutely essential reading. It's packed with solid information and sound advice. It pulls no punches. Complete and thoroughly updated for 1982, it's a book you can read cover-to-cover—or keep handy as a "trouble-shooting" instant reference whenever a question or problem arises.

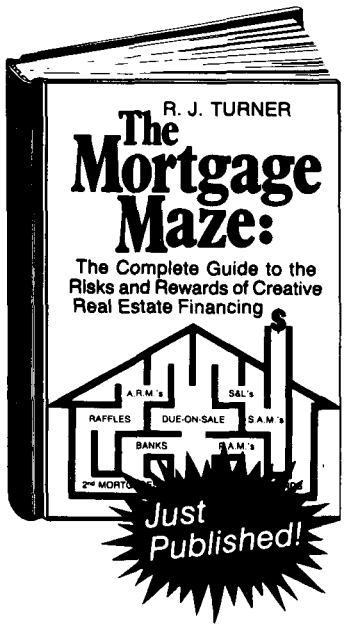
Two ways to get this important new book.

Just off the press, *The Mortgage Maze* is 360 pages, hard-covered, and fully indexed. There are two easy ways to get your copy: buy it for $23.95 or get it *FREE* when you try a one-year subscription to *Personal Finance*, America's #1 financial survival publication.

The choice is yours. There's no risk—regardless of which option you select. Just check the appropriate box on the coupon below.

Today, people are so desperate to buy or sell that they're trapped into wrong decisions and dangerous, risky deals.

I hope this won't happen to you. But if you don't take action to protect yourself, who will? Your best defense is a copy of *The Mortgage Maze*. Clip and mail the coupon today.



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Robert Poole, Jr.

War and Morality

In the grisly science fiction movie *Road Warrior*, there is a scene in which road gangs attack a settlement. Strapped to the front of their attack vehicles are human beings, presumably captured settlers. The defenders face a moral dilemma: to fire on the attackers, thereby killing their helpless comrades, or to refrain, allowing the attack to succeed.

Bizarre as this example may sound, exactly this moral dilemma is at the heart of some of today's most important issues of war and peace. When the Palestine Liberation Organization places antiaircraft guns beside a Lebanese school and the school itself then gets hit by Israeli jets seeking to take out the guns, the human shield issue is central. When John Cardinal Krol, the Catholic bishop of Philadelphia, proclaims that "nuclear war surpasses the limits of legitimate self-defense" and "the use of such weapons is immoral," the issue that he's raising is that of harm to innocent bystanders.

What kind of moral theory allows us to resolve such cases? A morality grounded in the sanctity of the individual recognizes the right to self-defense. And a coherent working out of the ramifications of that right implies that defensive force may be used against aggressors *even if this force also inflicts losses on innocent shields or bystanders.*

These principles were first articulated many centuries ago by Catholic theologians and have come to be known as Just War theory. They form the basis for the internationally recognized Laws of War. Their ramifications in the nuclear age are being explored by such people as libertarian philosopher (and REASON contributing editor) Eric Mack.

Those who have difficulty accepting the legitimacy of this position should consider Professor Mack's discussion of the consequences of denying it:

> *If the defensive killing of shields or bystanders is proscribed, then the guilty aggressor can gain immunity for his project by strapping bystanders to the front of his tanks or by locating his weapons in the midst of bystanders. Thus, if either the killing of innocent threats or of bystanders is prohibited, the more morally indiscriminate the aggressor, the more moral immunity he will enjoy.*

The relevance of these principles can be seen directly in the recent Israeli-PLO war in Lebanon. Throughout its seven-year occupation of Lebanon, the PLO has followed a deliberate policy of placing its military assets amongst civilians. PLO guerrillas located heavy guns in the center of southern Lebanese towns in order to shell Israel. When Israeli jets hit a West Beirut PLO ammunition dump on July 26, the hour-long chain reaction of explosions killed or wounded 54 people, most of them probably civilians. Who is responsible for those casualties?

According to the Laws of War, hospitals, schools, and other civilian locations are supposed to be off limits to attack—*provided* that military targets are kept out of such safe zones. But the presence of military targets—ammo dumps, observation posts, or whatever—automatically voids the immunity. Thus, conclude military researchers Stephen Glick and Seth Carus, "the PLO must bear the onus for the majority of the civilian casualties in Lebanon. Had they not chosen to make civilian areas their battlegrounds, the numbers of civilian casualties would have been greatly reduced."

This is not necessarily to exonerate every Israeli action—for example, the use of cluster bombs. But it is worth noting that Israeli forces took great pains to warn and avoid civilians—evacuating the residents of Tyre and Sidon prior to bombing those towns, dropping warning leaflets over West Beirut, trying to persuade guerrillas to surrender so as to avoid house-to-house fighting. So the sweeping moral condemnations of Israeli actions one hears today are clearly unjustified.

As for the morality of nuclear weapons, what are we to make of the claims of people like Georgetown University professor Rev. Francis X. Winter that the only moral policy is to renounce the use of nuclear weapons? Such a claim confuses the weapons themselves with doctrines concerning their use. Certainly, a 25-megaton warhead (as on single-warhead Soviet SS-18s) is far too large to be useful as anything but a city-buster. But what of a one-kiloton artillery shell designed to stop invading tanks? Clearly, that size weapon in that usage is legitimately defensive.

Of course, the picture is more complicated than that. If the use of *any* nuclear weapon makes escalation to an all-out city-busting nuclear war highly probable, then one cannot stop with the analysis of individual weapons' characteristics. That's why a rethinking of this country's overall strategic doctrines is so essential. Although the government claims that US warheads are no longer targeted against Soviet cities, the fact remains that their sheer size and number would produce millions of civilian casualties in an all-out exchange. And that threat, in the guise of Mutual Assured Destruction, remains the fundamental basis of US policy. In the name of preserving MAD, "arms control" advocates are adamantly against any form of defense against ballistic missiles. Incredibly, they argue that the balance of terror must be maintained, with each side holding the other's civilians hostage.

Modern Just War theory rejects MAD as both immoral and dangerous. A morally sound strategic policy would consist of a multilayered defense against ballistic missiles (both space-based and earth-based) coupled with a retaliatory capability designed specifically to destroy the enemy's military infrastructure. Harm to bystanders would be kept to an absolute minimum by appropriate warhead design.

Such a policy would recover the moral high ground. If the United States were no longer pledged by NATO treaty to answer a conventional attack on Europe by unleashing ICBMs, then our government could pledge not to be first to use nuclear weapons. And the restructuring of our forces for defense and retaliation would be visible to all the world.

Under such circumstances, a nuclear exchange might still occur. And some Soviet civilians would probably die. But the responsibility for their deaths would not be ours. It would be that of the Soviet leaders who, like the PLO, chose to place military installations in the midst of civilians.

Robert Poole, Jr.

Fear IRS Tax Audit no more

If you are like most people, you dread the thought of an IRS tax audit. And rightfully so. Financial penalties can be severe. You could owe thousands of extra dollars in taxes, interest and fines and be investigated for tax violations.

On any given day, one which might start out quite normally and pleasantly, you could receive in your mail the one letter that everyone hopes will never arrive. It's a brown envelope marked "OFFICIAL BUSINESS" from the Internal Revenue Service. You open the notice and read, "We are examining your Federal Income Tax Return for the above year(s) and find we need additional information to verify your correct tax."

This alone is bad news for anyone, but we must warn you — it can be much, much worse.

Instead of a letter announcing a relatively simple "desk audit," you could get a phone call announcing a far more extensive field audit. Worse still by far, you might get a visit from an IRS "Special Agent," a sign you're being checked for possible criminal fraud.

The question is, in any case, what do you do when the IRS taps you? And if you have not yet been tapped, what can you do right now to cut the odds of it happening?

A vital new book, **The Taxpayers Audit Survival Manual,** answers virtually every question you could ask about an IRS tax audit. You are safely guided through the potentially dangerous waters of a tax audit.

Here are some questions you as a taxpayer need to consider.

11 Questions on Tax Audits
How many of them can you answer?

1. What should you do if you're called on by an IRS "Special Agent"? *(One thing – and one thing only. At once! See page 45 of THE TAXPAYER'S AUDIT SURVIVAL MANUAL).*

2. True or false: the IRS has no good way of checking out those 1099's on your dividends, interest, etc. *(The wrong answer on this could cost you. See page 14).*

3. The IRS sends you a form letter questionnaire on your return. Is this cause for alarm? *(It may be cause for relief. But only if you handle it just right. See page 27).*

4. Should you take a professional to an audit? Who should do the talking? *(It all depends. See page 39).*

5. Can your accountant be made to testify against you in a tax case? Your lawyer? *(The answer to this may be a real eye opener. See page 74).*

6. Should you attach "explanations" to your tax return? *(Caution: they could* ***bring on*** *instead of prevent an audit. See page 106).*

7. Should you "round off" figures on your tax return? *(Don't do it before reading page 108).*

8. The tax auditor's in your office. Who should talk to him? Who shouldn't? *(Spare yourself trouble. See page 46).*

9. Should you concede arguments early in an audit? If not, what should you do? *(Save money. See page 48).*

10. An agent stops his audit without a good reason — a sign he may suspect you of criminal fraud. Is there any way to guess at what he thinks you've done? *(There may be – if you've taken one precaution. See page 70).*

11. What should you do if you're caught breaking a tax rule? What should you *not* do — ever? *(This could be critical to your whole future. See page 48).*

If you don't know the answers to questions like those above (and few taxpayers *do*, even those who are otherwise sophisticated), then in today's tax climate, you're living dangerously.

Dangerously because you may unwittingly and needlessly be risking a tax audit. And dangerously because if you *do* get audited, you may unintentionally get yourself into much more trouble than you started out in.

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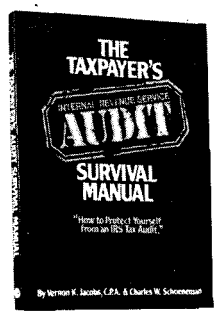

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Letters

Cable's Thin Line

The political picture of cable TV is in some respects even worse than the one Tom Hazlett so accurately tuned in to ("The Viewer Is the Loser," July). Even with two successive "good" FCC chairpeople, cable is still saddled with company ownership restrictions, as well as a rule that a system must carry the signals of all stations within 35 miles.

Ownership of cable's right-of-way by government isn't their only foot in the door. New York State has power over cable even where no "public right of way" is used; this power will probably be used to prevent the Co-Op City housing development from being wired separately, as one company wants to. (New York City doesn't want the "cream skimmed" off the Bronx, just as Indianapolis wants its apartment dwellers to subsidize other subscribers.) Meanwhile, the state forbids private landlords from excluding cable if a tenant wants it.

Cable companies have a thin line to tread in not having control over what's on their public access channels, while having to comply with libel and obscenity laws. Further problems come from the religionist right in the form of agitation for antipornography laws.

But there's also hope. There are parts of the country where cable operates unfranchised, subject only to FCC regulation and the general run of business taxation and regulation. Systems in these areas can serve as shining examples of how well people can be served in the absence of state and local meddling.

Robert Goodman
Bronx, NY

Women and Watching

Bravo for Peter Schwartz's article "Women's Worth" (July). I hope to see more articles in your magazine firmly rooted in fundamental philosophy.

Bravo also for your exposé of cable TV franchising. I've been waiting for cable TV on my street for three years, and it is wonderful to know that I can look forward to watching Hartford City Council meetings on cable as recompense for my inconvenience.

Gary Schnitzer
Hartford, CT

"Women's Worth" Writer Worries

I'd like to express my strong objection to the manner in which my article, "Women's Worth" (July), was edited. When you asked for permission to reprint the article from the *Intellectual Activist* I agreed—on the assumption that only very minor editing, if any, would be done (other than simple cutting to meet space requirements). It was, after all, you who came to me, saying how good the article was. Instead, you made quite a few editing changes, several of which I definitely take issue with. There are two changes in particular that I want to cite, as they result in a misrepresentation of my views.

The first involves a complete reversal of meaning. The article argues that the entire concept of "sexism" is invalid—because it packages together both justified and unjustified discriminations based on gender. The article then states, as originally written, "We should add that, unlike sexism, the concept of racism is clearly valid" (because there are virtually no rational distinctions to be made on the basis of race). Your editor, however, changed the word *valid* to *invalid*, thus rendering the whole point incomprehensible.

The second editing change involves a more fundamental issue. Your editor repeatedly watered down the article's theme. The article attacks the essential ideas of *feminism*—not, as your editor took upon himself to decide, merely of *some feminists*. Where it states that feminists don't want the onus of freedom, your editor changed that to "*many* feminists...." Where it says that the philosophy of feminists is anti-individualistic and egalitarian, your editor substituted "*most* feminists...." The "essential error of the women's movement" is not the same as "...*much* of the women's movement." Feminists—not "*many* feminists"—favor the erasing of any distinction between rational and irrational sexual discrimination.

The main purpose of the article is to demonstrate why the philosophy of feminism—and, therefore, of those who label themselves feminists—is fundamentally antagonistic to the principles of individualism. I realize that libertarians find feminism compatible with—even representative of—libertarianism, which may be why your editor felt the need to modify the categorical criticisms of feminism. If so, I suggest he write his own article on the subject but not distort the meaning of mine.

Peter Schwartz
New York, NY

The editors reply: We apologize to Mr. Schwartz for a typesetting and proofreading error that resulted in the word *invalid* appearing where he had said *valid*. We do, however, stand by our editorial judgment that feminism is not essentially anti-individualist and egalitarian. Furthermore, we know consistent, rational individualist feminists who would be justly offended if we neglected our editorial duties in this matter. We took Mr. Schwartz's article to be a valuable discussion of the contradictions inherent in the notion of comparable worth and in assumptions underlying most feminist rhetoric.

Women's Work Force

Regarding "Women's Worth" (July), I feel concern that a philosophy long centered on individual rights should be used to gloss over discrimination and chauvinism. Peter Schwartz is right. The government has no right to shove a mandatory interpretation of the comparative worth of unrelated occupations down our throats. The noose would only tighten around our expiring "free economy." But our free economy is made up of more than captains of industry and others who have found an eco-niche in the new technocracy. There are workers, many of them female, who have forgotten that true power resides not in the government but in themselves. They can bargain collectively; they can boycott; they can strike—these are noncoercive direct actions which have a legitimate role in a laissez-faire arena. When it makes good sense, why not organize?

Skilled, white, American men did just that during the Golden Age. They did not extend economic power to women, unfortunately, or to blacks, coolies,

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children, or new immigrants. As trade unionists gained leverage in the Progressive era, they used "protectionist" legislation to keep "undesirables" out of the skilled work force, creating a subcaste of the chronically unskilled and underpaid....

Skilled women were cut off from the mainstream of the work force by "ghettoized" jobs defined as a logical extension of woman's work. Interestingly enough, these job ghettoes flourish most strongly today in the public sector (teaching, civil service, libraries), or in those industries where government regulation is particularly strong (insurance, banking, mega-corporations). Women's economic progress has been minimal under the aegis of paternalistic state protection.

Unfortunately, Schwartz uses his concern for individual rights to justify the status quo, but why should women and minorities who stand outside the organized work force slake their thirst for economic gain with trickle-down Reaganomics? They should be (and often are) exploring nonviolent, nonstatist means of wielding force in the marketplace. Why shouldn't they band together for mutual support?...

Lisa Null
New Canaan, CT

Mutual Assistance

I read your interesting article on IRAs ("How Do You Spell Relief? I-R-A," June). The Investment Company Institute can supply a wide range of information on mutual funds—both load and no-load funds. There is no charge for any of this information, which includes our list of no-load funds that is bigger than that published by the No-Load Association. If any of your readers want material on mutual funds, we would be happy to send it to them.

Reg Green
Investment Company Institute
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Washington, DC 20006

On the Facts Track

The piece on the New York subways ("Unload the Subways," May) was an excellent piece of reasoning, but a few facts are in error.

Mr. Samuel says that we could have had subways as early as 1860. I find this strange, as the first electric trolley system was in Richmond, Virginia, in 1888! This system was Frank Sprague's and was the first successful system in the world. In Germany, Dr. Siemens had an experimental line a year earlier.

In the reference to Ft. Worth, Mr. Poole is just slightly in error. Five St. Louis cars were ordered, but not from St. Louis Car Co. (which is not in existence any longer), but from Washington, D.C., where a modern, well-maintained trolley system, privately owned for profit, had just been condemned and ordered removed by an act of Congress! The system had no overhead wires, was modern, and showed a profit. But our congressmen thought electric traction

(Continued on p. 56)

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Reason Papers No. 8 (Summer 1982) includes some provocative debates:

A rationally prudent man is not necessarily a just man. What is the connection between rational prudence and the virtue of justice? In addressing this question, Joel Kidder takes a refreshingly new look at Thomas Hobbes.

Egalitarianism comes in more than one form, not all of which equally threaten liberty. Antony Flew discusses four egalitarian positions in his typically incisive and witty manner.

Is parapsychology a science, Velikovsky a crank? Where do we draw the line between science and pseudoscience? Charles List discusses the current debate and shows how complicated the issue is.

Is immigration an issue on which a consistent libertarian position can be formulated? In order to do so, according to Edwin G. West, you must consider the basic principle of property as well as that of liberty.

Liberalism is attempting a comeback in various styles of new dress. One such attempt is examined and found to be threadbare by John H. Ahrens and Fred D. Miller, Jr., in their review of *Justice in the Liberal State*.

Everyone knows that philosophers love to debate. What is their favorite subject of dispute? One likely candidate is philosophy itself. Gilbert Harman takes strong exception to the view offered by John Kekes, and Kekes responds with some volleys of his own.

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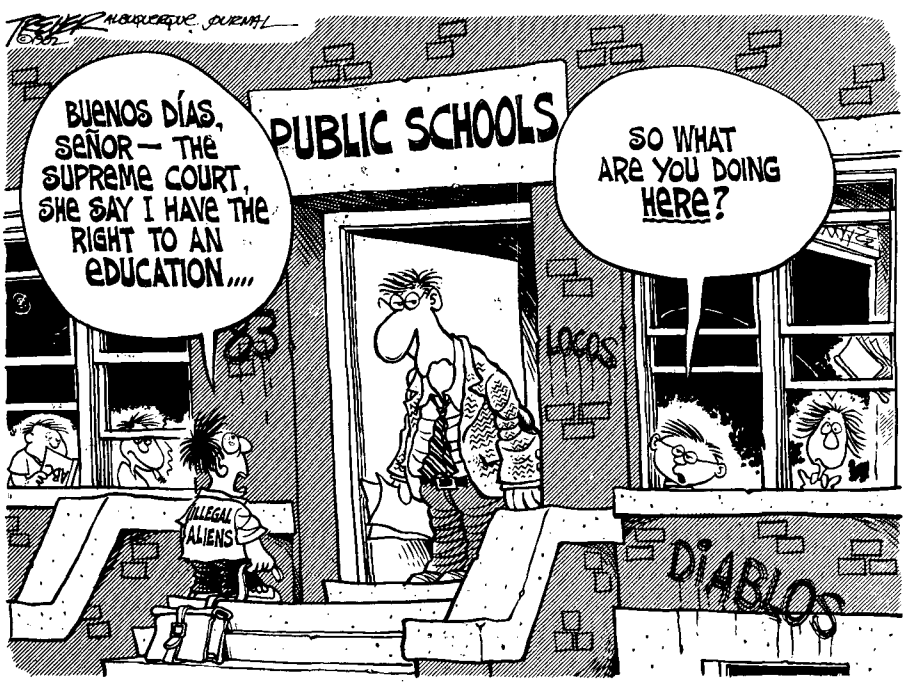
brickbats

Talk about slinging mud. The New York City Sanitation Department paid almost $500,000 for landfill dug out of a site already owned by the city. Sanitation, which needs 300,000 cubic yards of dirt every day to spread on its garbage dumps, gave a contract to a Bronx company—which already had a contract to cart off soil from a Transit Authority excavation. So the company got paid twice—once by the TA, once by Sanitation—for handling the same dirt. Then it was learned that one of the company's owners is a prominent state senator and the other is a reputed organized crime figure who's in the federal pen on a hijacking conviction. Well, it's a dirty job, but *somebody* has to do it.

"Be quiet! This is a hospital and people are sleeping!" Like the doctors on duty and most of the staff. Boy, are they tired at Pilgrim Psychiatric Center, New York State's largest hospital for the mentally ill. Wouldn't you be sleepy if you worked five consecutive 24-hour shifts? That's what several hospital employees claimed—and got paid for. One orderly, whose salary is $12,000 a year, made $31,000 in overtime last year—and while asleep most of the time. The state controller conducted a surprise inspection one night and found that doctors who were supposed to be on duty were at home in dreamland while getting paid $20 an hour. And state investigators also found 11 night-shift employees cuddled up with pillows and blankets—looking so cute—while the lunatics literally ran the asylum. The lethargic employees were blasted with stinging letters of reprimand and forced to promise they'd never do it again. Crazy? Like a fox!

Remember how the liberal press jumped all over President Reagan for suggesting that there might be some fraud connected with the issuance of millions of dollars' worth of food stamps? Well, Ronnie may be right after all. Undercover agents in Florida used $60,000 in food stamps to purchase a sports car, a motorcycle, television sets, refrigerators, and $40,000 worth of drugs—almost everything but food. So far, 34 people have been charged, and the investigators didn't even work up a sweat. Stamp collecting can be a very lucrative hobby.

The China Youth News says young workers who wear T-shirts with such English-language messages as "Kiss Me" and "USA" are guilty of "ignorance, exhibitionism and spiritual pollution." The paper says that Chinese shops that sell such counterrevolutionary items are "catering to some people's blind worship of foreign things and low taste to make profits." Nag, nag, nag.


BUENOS DÍAS, SEÑOR— THE SUPREME COURT, SHE SAY I HAVE THE RIGHT TO AN EDUCATION....
PUBLIC SCHOOLS
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DIABLOS

The federal trust-busters scored another victory—this time for higher medical costs. American Hospital Supply Corp. of Evanston, Illinois, committed a flagrant violation of the anti-trust laws. Its pricing plan that offered merchandise at low prices allowed it to become the nation's largest hospital supplier. Four smaller supply companies were awarded $430,000 in damages by a federal judge who warned robber baron American Hospital Supply to raise its prices and stop being so anticompetitive. And he chastised a hospital chain for being so undemocratic as to look for a bargain. In the same breath, the judge had the gall to moan about how medical costs keep rising. They do escalate, but not as fast as the mental dullness of the federal judiciary.

Melina Mercouri, who went from portraying a prostitute in the film *Never on Sunday* to becoming the shrillest supporter of Greek socialism, has a new cause. The former actress is now Greece's minister of culture. She is demanding that Great Britain return the Elgin Marbles, taken from the Acropolis at the start of the 19th century. She said the act constituted "vandalism and barbarism" and termed the British government's refusal to return the marbles "provocative." The marbles were shipped to England in 1810 when Lord Elgin wanted to save them from the invading Turks. Well, England has been pretty busy lately, what with the war in the Falklands, IRA bombings, and midnight visitors to Bucky Palace. So the Brits are saying they can't really be bothered with this now, although they're sorry that Melina has lost her marbles. So is everyone who has to listen to her.

You're under arrest. No, *you're* under arrest. That was the gist of the conversation when two Los Angeles police undercover officers tried to incarcerate each other during a crackdown on Hollywood prostitution. A male officer approached what he thought was a hooker, propositioned her, and then tried to arrest her when she reportedly said yes to his question. Then she, policewoman that she was, tried to arrest him. They escorted each other downtown to explain the situation to their superiors. Something like, "But, Sarge, that was no lady. That was my vice."

—MARK EDWARD CRANE

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TRENDS

ZEROING IN ON ZONING

Virtually unnoticed in the publicity over its advocacy of housing vouchers as a substitute for government-built housing, the President's Commission on Housing has issued a hard-hitting attack on local zoning and land-use regulation and called for substantial deregulation.

Chapter 15 of *The Report of the President's Commission on Housing* points out the extent to which zoning has been used to restrict housing supplies and keep prices ("property values") high. It sets forth a general standard that state legislators should enact laws providing that no zoning regulation that would limit or deny housing production should be deemed valid unless necessary to achieve "a vital and pressing governmental interest"—protecting health and safety or solving a unique environmental problem.

Going beyond generalities, the report urges the following specific standards for local zoning:

- Leave the density of development to be determined in the marketplace.
- Remove all forms of discrimination against manufactured housing.
- Place no minimum or maximum limits on the size of individual dwelling units.
- Avoid growth controls that limit housing construction.
- Don't adopt farmland preservation laws if they would limit housing production.

The report also urges local governments not to charge development fees that exceed the cost of the services or infrastructure actually provided to serve the new housing. And it endorses the idea of one-stop permit processing to reduce costly time delays in getting projects approved. Finally, it urges the US attorney general to seek an appropriate test case to have the Supreme Court reconsider the broad police powers granted to local-government zoning functions by the Court's historic (1926) *Euclid* decision upholding local zoning.

Does local zoning really increase development costs? Economist Richard B. Peiser of Southern Methodist University recently compared the cost of developing lots in Houston (private zoning via deed restrictions) and Dallas (conventional government zoning). It's an unusually fair comparison, not only because the cities are comparable in size, demographics, terrain, age, and general land-use patterns, but also because many of the same builders and developers operate in both cities. Moreover, any difference due to zoning in Dallas is probably greatly understated because the zoning laws there are administered very leniently. (The zoning process in Dallas adds only four to eight months to development time, compared to as much as several years in some parts of California.)

What Peiser found, after adjusting for extraneous factors, was that land development regulation makes finished lots cost about $2,000 more in Dallas—a difference of 16 percent. Thus, the Housing Commission was not making simply a rhetorical point. Even where "flexibly" applied, zoning regulations significantly increase the cost of housing.

CALIFORNIA, THE CUTTING EDGE

The effects of California's Proposition 13, the 1978 referendum that substantially limited property taxes, are beginning to be seen, and they're encouraging. Perhaps the most dramatic effects of Prop. 13—and other subsequent tax reductions, including referendums that have all but eliminated state inheritance taxes and permanently indexed the state income tax—have been in the new annual budgets for the state and for Los Angeles County.

The state budget for the year beginning July 1 included the first decline in annual spending by California since 1943—a period that included the administrations of such luminaries as Earl Warren, Pat Brown, and Ronald Reagan. The new budget totals $25.2 billion—about two percent less than for the year recently ended. The *New York Times* noted that to bring about the reduction and balance the state budget, "legislators cut deeply into programs long protected by some of the state's most influential lobbying organizations": they slashed state aid to cities and counties by more than 20 percent, virtually froze state aid to school districts, raised fees at state universities by $100, and eliminated cost-of-living increases for state employees and most welfare recipients.

On a smaller scale, Los Angeles County has been having a similar experience and for the same reasons. While their annual budget of $5 billion does exceed last year's $4.7-billion figure, it is projected to reduce the county's work force to about 71,000, which represents the elimination of about 3,200 public jobs. The *Los Angeles Times*, describing the budget as "lean, mean, and thin," says that it puts the conservative county board majority in sight of its goal of cutting 10,000 from the county work force within three years.

In Los Angeles County as in Sacramento, there are a number of government programs that will feel the pinch, including the departments responsible for beaches, fire, mental health, and welfare, as well as the sheriff's office and the courts. But, contrary to some of the more dire predictions, the budget cuts have not turned California into a desolate wasteland. In fact, Trends can report that four months into the new fiscal year, the palm trees are still growing, the surfers are still surfing, and California's private sector is on a little better footing than before.

STUDENT LOANS—VIA THE MARKET

There has been much wailing and gnashing of teeth over federal cutbacks in the government's loans for college students. Last year Congress reimposed a family income test to limit eligibility for the guaranteed student loan program; it's expected to save taxpayers $2.4 billion through 1985. Student groups and many college administrators talked as if there was no alternative to government funding and that therefore fewer students would be able to attend college.

That self-serving rhetoric is now being undercut. In July, Dartmouth College ventured into the bond market to raise funds for student loans. Its $29-million tax-exempt issue—rated AA by Standard & Poor's—sold out in less than 24 hours. Northwestern University is joining forces with a dozen other Illinois schools to sell $30-$40 million in tax-exempt bonds for student loans. And similar efforts are under way in the five other states whose laws allow colleges to issue tax-exempt bonds to finance loans as well as buildings. *Business Week* (July 26) reports that "a score of other states have enabling legislation in the works." Thus far, at least 100 private colleges are

known to be preparing bond issues to finance student loans.

Not every college has the reputation of a Dartmouth, Harvard, or Stanford; not all student-loan bonds will be AA rated. But it seems clear that there *are* marketplace mechanisms for providing loans for college students.

DRAFT DEMENTIA

Just as surely as the swallows can be counted on to alight at San Juan Capistrano, the supporters of a military draft can be counted on to trot out the argument that volunteer armies are inferior fighting forces to conscripted armies.

On the face of it, it seems dubious. One would think that soldiers (like soybean farmers, investment bankers, and plumbers) would do better at their work when they choose their profession voluntarily and make it their career, rather than when it's thrust on them by state coercion. And lately, there has been some very persuasive evidence that this is in fact the case.

The evidence comes from the Falkland Islands. There are several reasons that Great Britain was victorious there, including a series of bad decisions and strategic errors of omission by the Argentine military. But one of the most important reasons was the advantage of competence and training the British professional army of regulars had over the Argentine conscript army. As the Orange County, California, *Register* commented, "The British army has gone up against some pretty formidable odds through the ages, from Dunkirk to Khartoum and the Khyber Pass. But seldom has it been so badly outgunned and outmanned—nor its supply line so long [as in the Falkland Islands warfare]. . . . The Argentine military forces, operating from mainland sanctuary only 400 miles away, had at least 20-to-1 air superiority and a fleet with submarines, a heavy cruiser, and a full-sized aircraft carrier."

British military historian Alistair Horne has noted, "One can be sure that the message is being keenly studied by NATO countries with largely conscript armies. . . . This professionalism of the British forces, as well as their capacity to fight after so long and rough a sea voyage, was undoubtedly underestimated by the junta."

Meanwhile, US Army personnel chief Lt. Gen. Maxwell R. Thurman in a *New York Times* interview has responded to two recent reports, one published by the Brookings Institution and the other by the Atlantic Council, calling for a revival of the draft. "I don't see [a need for a draft]," Thurman declared. He added that the military service could expand from its current force of 790,000 soldiers to 850,000 without resorting to peacetime conscription, so long as the current level of educational benefits and salaries is left intact.

The Brookings study pointed out that 33 percent of the army is black, compared with 13 percent of the general population. (It should be noted, however, that one reason the overall percentage of blacks in the army is higher is that blacks tend to stay in the service longer than whites, and the median age of American blacks is 22—six years younger than that of the general population—which means that a relatively large number of blacks are at an age at which military enlistment is highest.)

Are our antitrust laws destroying the free market they were meant to protect?

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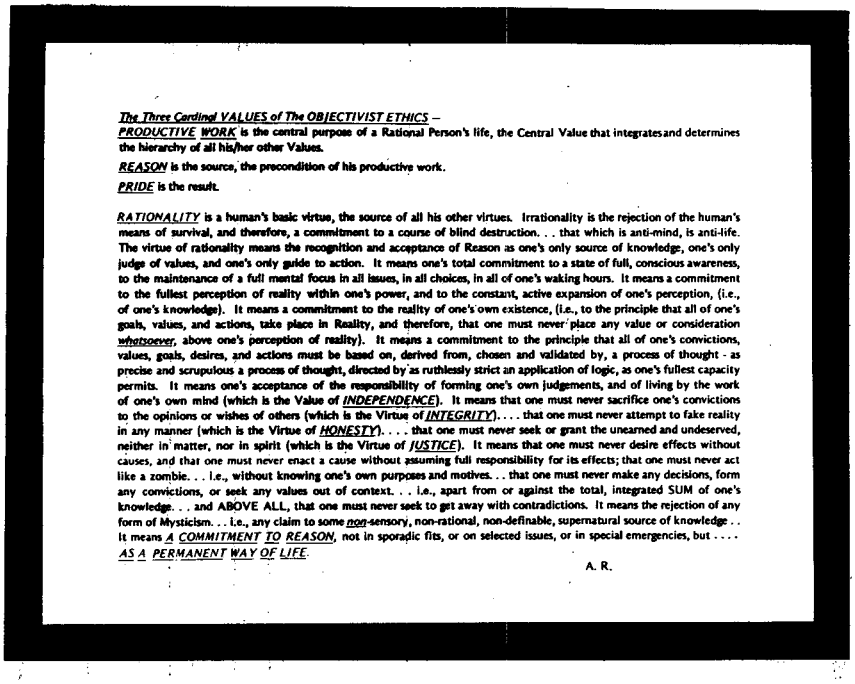
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The Brookings study decried the high percentage of blacks in the armed forces and said, "Suspicion that black troops might be unwilling to carry out their assignments in certain domestic situations—a suggestion that is understandably reprehensible to many members of the black community—cannot be dismissed out of hand." Thurman's "careful and emphatic" reply to such nonsense was, "We don't have any evidence...that would substantiate those allegations." The high percentage of blacks in the Army "doesn't cause me any problems at all," he said.

INTERNATIONAL PRIVATIZATION

Guess which country leads the world in contracting out municipal services to private firms? According to John Tepper Marlin of the Council on Municipal Performance, the leader is Japan. In a survey of 669 cities, he found on a fact-finding tour last year, nearly half of them contract out services. And the chief reason given by city officials is greater efficiency.

Marlin's findings were presented at a series of seminars for revenue-squeezed city officials this spring in Philadelphia, Atlanta, and Cleveland. Since the Reagan administration took office, the once-radical idea of privatizing local services has become practically mainstream. A recent advocate is Ted Kolderie of the Hubert H. Humphrey Institute of Public Affairs (yes!) at the University of Minnesota. In his April 1982 report, "Many Providers, Many Producers: A New View of the Public Service Industry," Kolderie presents a compelling case for demonopolizing and debureaucratizing public services—whether by substituting volunteers, levying user fees, or contracting out.

Besides the United States and Japan, privatization seems to be catching on most rapidly in Great Britain. A number of local councils have contracted out refuse collection and other maintenance services, generally with 30 percent or more cost savings and improved performance.

Even the Middle East is getting in on the act. Saudi Arabia's capital city, Riyadh, contracts out its garbage collection to Britain's Pritchard Industrial Services and has recently signed up Denmark's Falck Company to develop a rescue services business. Falck provides

similar services in Qatar and is negotiating a third contract in Kuwait.

FARMING THE JUNGLE

Have you heard the doomsayers' lament about the destruction of the Amazon jungles? Most people "know" that when farmers cut down the trees and plant crops continuously, the rich jungle topsoil gets used up in a few years and turns into a compacted, red soil called "laterite," good for growing nothing. So the jungle is a "fragile ecosystem" that must be protected from man's depredations, etc., etc.

Wrong, wrong, wrong. Although the process of "laterization" does occur with certain types of crude continuous cropping, a 10-year study—the Tropical Soils Research Program—has shown great success in farming the Amazon's acid soils (*Science*, May 21). Three crops of grain per year can be produced, and the soil quality actually *improves* over time. The key is using the right types and quantities of fertilizer, whether chemical or organic.

The research was a joint effort of North Carolina State University and the Instituto Nacional de Investigacion y Promocion Agraria of Peru. It was carried out in Yurimaguas, in the Amazon headwaters region of Peru. Local farmers were successfully trained in the crop rotation and fertilization techniques. Since the methods appear to be quite profitable, the farmers are expanding their use on their own, and the Peruvian government is trying to make sure that adequate supplies of fertilizer and credit are available in the region.

It's not certain how widely applicable the new techniques will be. But the Tropical Soils Research Program researchers are generally optimistic.

GREEN LIGHT FOR JITNEYS

Small-scale, flexible, privately owned urban transit seems to be making a comeback in this country. The two firms seeking approval to start jitney service in Los Angeles (see Trends, Aug.) have won approval from the state Public Utilities Commission. Both Maxi-Taxi and Express Transit District were awarded wide-ranging permission to operate 15-passenger vans, the former on 13 routes and the latter on 14. Charging $1.00 and 75¢, respectively, they will compete head-to-head with government-run mass transit systems charging 50¢ for conventional buses.

Similar service may be in the works for Houston. Several civic groups have asked the city council to repeal the 1924 law outlawing jitney service, repeal another law heavily regulating private consumer buses to and from the suburbs, and deregulate entry and pricing in the taxi market. Taxi deregulation took place several years ago in San Diego (see Trends, Oct. 1979 and Jan. 1981) and is working well. Houston mayor Kathy Whitmire is sympathetic to the proposals but wants more study before taking action.

Meanwhile, the London-based *Economist* has offered a similar solution for England's transit problems. "Open the door to anybody who wants to run a jitney," said the magazine (July 3) and "deregulate commuter transport permanently" so as to break the grip of the monopoly transport workers' union, which had virtually shut down commuter rail service.

TIME TO GO THE PRIVATE ROUTE?

Britain's intercity highways (called "motorways") are deteriorating just as US interstates are (see last month's lead item in Trends). The cause is the same: British politicians and bureaucrats are under pressure to spend the government's increasingly constrained revenues on other things (generally those benefiting well-organized interest groups). So highway construction and refurbishment get "deferred."

London's Adam Smith Institute thinks it has a solution: private-enterprise motorways. In a new booklet, *Private Road Ahead*, by Gabriel Roth and Eamonn Butler, the institute makes the case for greater investment in roads, shows why the political process has failed to accomplish this, and suggests how the private sector could be enlisted. Of the three alternative schemes, the one getting the most attention would have private firms build and operate the roads with the government paying annual rental charges based on vehicle traffic. The alternative, of course, is to utilize tolls, making the users pay directly, without government involvement.

London's major evening newspaper, the *Standard*, gave the proposal favorable coverage (June 15), pointing out that transport minister David Howell attended the press conference announcing the book. The *Economist* (June 19) also covered the proposal, though more skeptically. Neither pointed out that, far from being a radical idea, the concept has been in use in Italy for three decades to build and operate that country's extensive motorway system (see Trends, May). So the Adam Smith Institute is merely suggesting that England adopt a proven method of coping with its motorway crisis.

US DEFENSE COMMITMENTS UNDER FIRE

Question: out of a total US defense budget of $258 billion, how much goes for defense of *this country*? If you said $90 billion—about 35 percent—you'd be close, according to foreign policy analyst Earl C. Ravenal of Georgetown University. In a study for the Cato Institute, Ravenal breaks down the defense budget into strategic forces ($54 billion) and general-purpose forces ($204 billion).

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While the former are largely for our own defense, $129 billion of the latter is for the defense of European NATO members, and another $39 billion goes to defend Asia (mainly Japan and South Korea).

The magnitude of these commitments to defend wealthy allies is beginning to sink in among policymakers faced with $100-billion deficits. Assistant Senate majority leader Ted Stevens (R-Alaska) is talking seriously about blocking funds for maintaining US troops in Europe. Stevens's challenge is the first such effort since the unsuccessful Mansfield amendment of the early 1970s. According to *Aviation Week*, the Defense Department is taking Stevens's efforts "even more seriously" than the Mansfield proposal because Stevens is attracting support from both liberals and conservatives. (Many conservatives are angered that the European allies spend an average of only 2.6 percent of their gross national product on defense, while the proposed Reagan budget calls for 7.5 percent of GNP).

No similar attempt to cut back on overseas commitments to Asia has yet surfaced. But there are growing signs of discontent in Japan with the Japan-US Security Treaty. In April, 158 leading Japanese citizens (Diet members, academics, government officials, etc.) issued a statement calling the one-sided treaty "a stain on our national pride" and urging significant revisions. Given the tremendous growth and prosperity of Japan, they said, "it is now inexcusable for Japan to continue to rely on the U.S." to bear the "sole responsibility" for the country's defense, as called for by the treaty. The next month, Defense Director Soichiro Ito created quite a stir by telling the Industrial Club of Japan that the treaty has destroyed the will of the Japanese people to defend their country and given them a sense that peace is a natural phenomenon that exists without efforts on their part.

Although Japan's National Defense Council approved a new five-year defense spending plan in July, it falls far short of the modest goals many had hoped for. Under the new plan, defense spending will average $13.1 billion over the next five years (slightly exceeding one percent of GNP), compared with $10.3 billion this year. Although correcting many gross deficiencies in hardware, the plan would not accomplish the interim goal of enabling Japan to defend its sea lanes out to 1,000 miles—a goal agreed to by President Suzuki in May 1981, but with no target date.

Will another US senator—perhaps from the East Coast—start to focus attention on the cost of indefinitely subsidizing Japan's defense?

MARIJUANA MACHINATIONS

Devotion to common sense and respect for individual rights have never been the government's strong suit. Its continuing prohibition of the sale and use of marijuana is a graphic example of that.

The government has long since abandoned its imaginative claims of marijuana leading to insanity and debilitation, but it has hardly abandoned the prosecution and imprisonment of pot smokers, even though an estimated 55 million Americans have tried marijuana at least once. From time to time the government, despite its best efforts, doesn't escape the embarrassment it richly deserves for such a policy. The most recent incident came in the wake of a report by the National Research Council's Committee on Substance Abuse and Habitual Behavior.

According to *Science* magazine, the committee, which is supported by the National Institute on Drug Abuse (NIDA), issued a report in July that expressed preference for ending criminal penalties for possession of small quantities of marijuana. It also recommended that the federal government seriously consider regulating rather than prohibiting the supply of the drug.

After comparing states where marijuana has been decriminalized with those where it has not, the committee concluded: "The existing evidence on policies of partial prohibition [of marijuana] indicates that partial prohibition has been as effective in controlling consumption as complete prohibition and has entailed considerably smaller social, legal, and economic costs."

National Academy of Sciences President Frank Press was reportedly incensed with even these half-way liberalizations. He took the unusual step of publicly disagreeing with the central recommendations of an academy report and even suggested that the committee may have exceeded its charge. And NIDA administrator William Pollin says he was "not pleased" with the report. He told *Science* that the committee's mandate was merely to come up with "an analysis of costs and benefits on a range of policy

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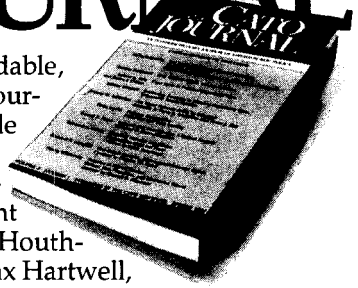

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options" including marijuana decriminalization, because NIDA was interested in learning "under which options you would get a decrease in overall consumption."

The committee's chairman, Louis Lasagna of the University of Rochester Medical School, said that the committee report's recommendations differed little from those of the National Commission on Marijuana and Drug Abuse in 1972 (which, incidentally, provoked a similar reaction from the Nixon administration). Furthermore, the report went through an arduous review process before its publication.

The Reagan administration, like its predecessors, is not about to reduce the penalties for marijuana sale or use on either ethical or medical grounds. And like its predecessors, it has had the silliness of its policy exposed by its own appointees.

FREE-MARKET FARM PROGRAM

An objective observer of government farm programs has to conclude that they constitute a negative-sum game. Taxpayers pay once in taxes to buy up surplus crops stimulated by price supports, then pay again at the supermarket in higher prices. The dollars gained by the farmers are far less than those lost by consumers.

Yet farm programs arose in response to a genuine problem—the unpredictability of farm income, due to the vicissitudes of nature, the long time-lags between deciding how much to plant (based on *last* year's crop prices) and harvest time, etc. An economist recognizes the problem as uncertainty and quickly proposes hedging against it in futures markets. But there's a big problem: *options* on agricultural commodities have been banned by federal law since 1936. Only much more expensive and risky *futures contracts* are available, and only 10 percent of all food producers use them.

That gap in the market may finally be filled, however. Both houses of Congress are considering legislation to legalize agricultural options. According to the *Wall Street Journal* (July 6), pilot programs on the Chicago Board of Trade could be in operation by mid-1983 if Congress gives the okay this year (see p. 46).

The American Farm Bureau Federation supports the idea, as at least a partial replacement for the $10-billion-a-year federal price-support program. So does agricultural economist Bruce L. Gardner, author of *The Governing of Agriculture* (reviewed in REASON in July). "Over the long term, options could permit movement toward less reliance on the general taxpayer and greater market determination of prices and resource allocation." Even Agriculture Secretary John R. Block thinks the idea is "a possibility." So there may eventually be a way out of this particular negative-sum game of political economy.

THE BIG TRAIN THAT COULDN'T

The Congressional Budget Office, to its credit, has finally heeded the wisdom detailed in REASON's May 1981 cover story on Amtrak. It has issued a report sharply critical of government-subsidized passenger trains.

Although hardly a bastion of free-market economics, the CBO told Congress, "Because the public benefits that Amtrak conveys appear limited, continuing large Federal subsidies are difficult to justify." It pointed out that these subsidies could not be rationalized on any of the grounds usually offered, such as energy efficiency, national security, and transportation for the poor. On the contrary, the report suggested that Amtrak's subsidies are little more than pork barrel for relatively high-income travelers.

Moreover, the prospects for Amtrak's future are hardly rosy. The report projects steeply higher fares and steady declines in the already meager number of passengers. And there's no change the CBO could foresee that could make Amtrak economically viable, including reduction of labor costs. Indeed, even if the train system's labor costs "were halved, its costs per passenger mile would still exceed those of air and bus," the report concluded.

Is it possible that Amtrak might rise to solvency because of changes the CBO did *not* foresee? Maybe Amtrak will become solvent next Thanksgiving as thousands of travelers happily stand in line to make reservations on Amtrak's least-popular routes. Maybe the government will find a

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Its name is *Eko*, a shortened form of the Russian word for "economics," and according to a recent article in the *Wall Street Journal*, it was founded because the government felt that businessmen needed something like the business press in the West. The function it serves is quite important: "To Soviet managers," says the *Journal*, "it is the only major forum for a continuing critique of the Soviet economic disease."

Eko is clearly free to publish articles that would never be seen in the mainstream Soviet press. For example, while the government's position is that central planning has eliminated inflation, two economists wrote an article for the February *Eko* on inflation between 1976 and 1980 (16 percent for wages, while production of consumer goods grew by only 14 percent). And it tends to idealize Western management and work styles as a model that the Soviets should emulate (it has serialized Arthur Hailey's book *Wheels* and Dale Carnegie's *How to Win Friends and Influence People*).

When it comes to free-enterprise reforms, however, the USSR is all bark and no bite compared to China, which has been taking great leaps forward into marketplace capitalism on two fronts.

The first and most extensive is agricultural. The basic unit of agricultural organization is still the commune, which consists of between 3,000 and 8,000 people, and all land officially belongs to the state. But some 80 percent of communes are now run under what is called the "production responsibility system," which emphasizes the link between work and pay.

One very common system is to break up the communes into production groups of 20-30 families. Economists Martin and Kathleen Feldstein report that these groups are given a minimum production quota to meet and assigned a certain parcel of land. If they produce in excess of the quota, they can keep the proceeds for themselves or sell it on a free market at whatever prices they can negotiate.

The results are impressive. The *Economist* reports that in Guanghan county, where reforms have been widespread, annual per capita income has risen in four years from 74 yuan to 117 yuan, and there are reports of some peasant families with incomes as high as $5,000 per year—more than double the salary of China's vice-premier Deng Xiaoping.

The other area of reform is a Chinese version of free-enterprise zones in four southern coastal cities. Profit taxes there are limited to 15 percent; businessmen can sign contracts without getting approval from the central government; and

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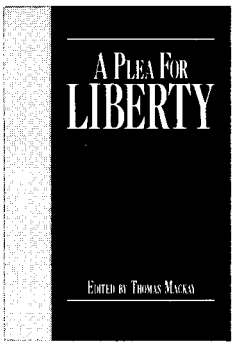

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the government has liberalized foreign investment terms. The result is that in 1981, industrial production jumped 11.4 percent; 220,000 new jobs have been created in one province alone; and income per capita in those areas has nearly tripled.

"The Chinese people want to get rich and their happy days for getting rich have already started," exulted the *People's Daily*. "This is a trend which cannot be reversed."

LITTLE LESSONS FROM LEBANON

Try to visualize what would happen if Indianapolis or Houston or Atlanta were confronted with even half the problems that Beirut has today. As one banker in Beirut observed to an American reporter, "What we're going through would destroy most cities. Could you imagine the reaction if New York went through what we did last week—no water, no electricity, no food or medicine getting in? You'd have people killing each other to get into the supermarkets." And although he didn't say so, there would probably be a festival of rationing, price freezes, and market controls by whatever government entities were still around to make a bad situation even worse.

Beirut, however, is a curious contrast to that. Amidst the rubble, the people there are surviving in a siege economy that has spontaneously given rise to a semblance of a free market. The Lebanese civil authorities cannot control the bloodshed, let alone economic activity; so to the extent Beirutis are surviving, it is largely because of their own ingenuity and entrepreneurial skill. As the *Los Angeles Times* said, "It is in fact one of the oddities of this war—and one of the most telling features of Lebanese society—that West Beirut has not buckled under the Israeli siege."

According to the *Times*, food and fuel are expensive but available at prices that fluctuate with market conditions, which depend on the military situation. In mid-July, gasoline was available for about $4 a gallon, and fresh vegetables and eggs were finding their way into the city despite the blockade. A pound of green beans was going for $2, a bottle of drinking water for $4, and taxis were charging $40 an hour (although sometimes higher if it meant going through some of the worst war zones).

Stockpiling (or judicious hoarding) is far from unknown. The Lebanese, a resourceful people with a rich tradition of entrepreneurship and international trading, have stockpiled supplies in their basements and backrooms. One carpenter told an American reporter, "I've got 500 pounds of sugar. I've got meat, drinking water, everything. I don't have a thing to fear for a year. This is the real Lebanese way to do it." Indeed.

According to the *Wall Street Journal*, the economy of West Beirut runs on cash. Normal banking operations have been impossible since the Israeli invasion, and although most merchants accepted credit cards during the first month of the siege, that has generally disappeared.

The market for goods and services in Beirut is obviously far more precarious than any peacetime economy would be. But its very existence, like the survival of Beirutis, is akin to Samuel Johnson's description of "a dog's walking on his hinder legs. It is not done well; but you are surprised to find it done at all."

MILESTONES

• *Two birds with one stone.* According to an International Monetary Fund survey, those non-oil-producing developing countries that are most successful at curbing inflation are also enjoying relatively stronger economic growth. Contrary to the neo-Keynesians, you can have your cake and eat it too.

• *Don't blame deregulation.* The Teamsters Union erred when it told Congress in June that trucking deregulation had cost the union more than 100,000 jobs and 416 trucking-firm failures. The General Accounting Office found that only 59 of those firms were federally regulated and had folded after the act's passage—and most of *those* were actually victims of the recession and the stiff competition that benefits consumers.

• *Creationists zapped.* In June, a federal judge in Baton Rouge, Louisiana, threw out a lawsuit aimed at forcing the teaching of so-called creation science in Louisiana public schools. A separate ACLU lawsuit challenging creationism is now expected to move forward to a landmark decision on the issue.

• *Federal Reserve indicted.* A federal grand jury in Utah has handed up a criminal indictment against the Federal Reserve System for issuing currency not redeemable by gold or silver coin, in violation of Article I, Section 10 of the Constitution. After the indictment was formally dismissed by a flabbergasted District Court Judge David Winder, a quorum of the grand jury was not daunted: they rewrote the document as a petition for a civil lawsuit against the Fed.

• *Scam up in smoke.* Congress has passed and the president has signed legislation curtailing government subsidies for tobacco growers, which have cost some $600 million over the last 50 years. Tobacco allotment owners who don't actually grow the crop will have to give up their shares rather than lease them, and growers will have to contribute to a fund that pays most of the tobacco support program's costs.

• *Tax credit ruling.* The Eighth Circuit Court of Appeals in St. Louis has upheld a Minnesota law that permits parents to deduct their children's private and parochial school tuition from gross income on their state income tax returns. Disagreeing with a First Circuit Court of Appeals decision, the St. Louis court rejected arguments that such laws violate the First Amendment's mandate for church-state separation. The issue will probably go to the Supreme Court.

• *Biggies back free trade.* "U.S. executives have cast a resounding vote in favor of free trade," says pollster Lou Harris. In a survey commissioned by *Business Week*, only 19 percent of the top business executives surveyed believe that trade between Japan and the United States is "fair," but they are opposed by an overwhelming margin of 70 percent to steps to restrict Japanese imports.

• *Moonies over Minnesota.* In a major decision on religious freedom, the Supreme Court struck down a Minnesota "anti-Moonie" law regulating religious groups that raise more than 50 percent of their money by asking the public for donations. Justice Brennan wrote for the Court that the law "distinguishes [unconstitutionally] between well established churches...and churches which are new and lacking in a constituency." Justice Rehnquist said in his dissent that members of the Unification Church have yet to prove that they are a legitimate religious group.

• *Forest trading.* Interior Secretary James Watt is reportedly considering raising money to pay a $200-million bill for the expansion of Redwood National Park in California by selling large sections of nearby US Forest Service lands.

—ROBERT POOLE, JR. AND PAUL GORDON

The Victims of "Dick and Jane"

For 60 years the "look-say" method of teaching reading has dominated our schools. Why does it remain firmly entrenched even though it doesn't work?

BY SAMUEL BLUMENFELD

●

Illiteracy in this country is turning out to be a blight that won't go away." So stated John H. Sweet, chairman of *U.S. News & World Report*, in his introduction to the magazine's cover story of May 17, 1982, on America's declining literacy. He further observed: "While the United States has the highest proportion of its young people in college of any major nation, it has not yet figured out how to teach tens of millions of its citizens to fill out a job application, balance a checkbook, read a newspaper or write a simple letter."

Illiteracy has now joined unwed motherhood, herpes simplex, and budget deficits as one of the nation's insoluble

Illustrations by Susan Sallade

problems that get periodic attention in the media with the usual call that something be done about it. Americans, however, are already paying an army of over 2 million teachers who supposedly *are* doing something about it. They are the experts and professionals, with college degrees and certification. We have a universal compulsory education system that costs taxpayers over $100 billion a year, created to guarantee that everyone in America learns to read and write. So we have teachers, we have schools, we have laws. We have more educational research than we know what to do with. But the system evidently doesn't work.

In fact, among people who have had as much as 12 years of schooling, there is an ever-growing population of functional illiterates—people who cannot read training manuals, books, magazines, or product labels written above a fourth- or fifth-grade level. Some parents have gone so far as to sue public school systems for graduating their children without teaching them adequate literacy skills so that they can get jobs. Experts' estimates of the extent of functional illiteracy among our adult population range from 25 to 50 percent. It may account for the decline in voter turnout and the growing dependence on television as the sole source of information and knowledge.

According to Vyvyan Harding, director of Literacy Services of Wisconsin, which provides reading tutors to functionally illiterate adults, "It seems like a futile battle against overwhelming odds. I've never seen so many nonreading adults in my life."

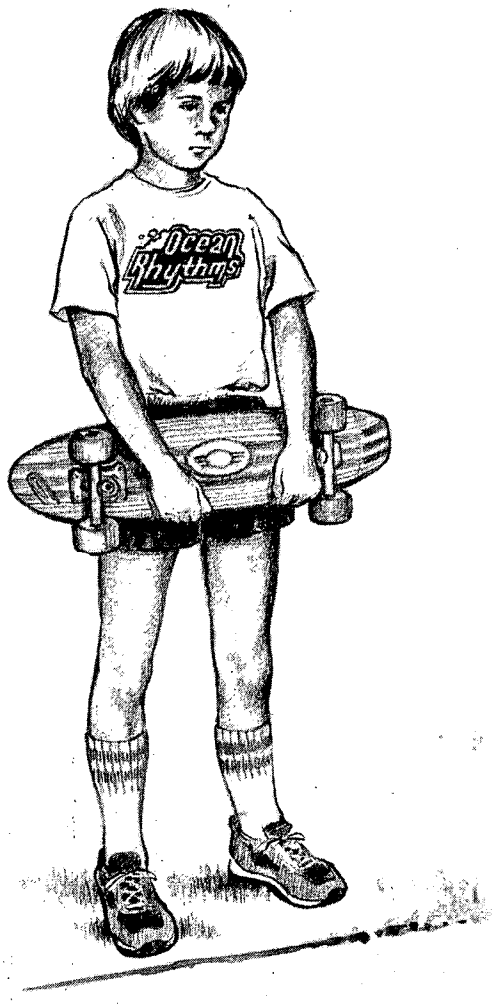
Nor is this decline in literacy skills limited to the lower-income, less academically inclined population. Karl Shapiro, the eminent poet-professor who has taught creative writing for more than 20 years, told the California Library Association in 1970: "What is really distressing is that this generation cannot and does not read. I am speaking of university students in what are supposed to be our best universities. Their illiteracy is staggering.... We are experiencing a literary breakdown which is unlike anything I know of in the history of letters."

Literacy skills are now so poor among high school graduates that about two-thirds of US colleges and universities, including Harvard, MIT, and the University of California at Berkeley, provide remedial reading and writing courses for their freshmen. The decline in reading skills is also causing a general debasement of our use of language. Popular writers, seeking larger audiences among a shrinking number of readers, are using shorter sentences, more monosyllabic words, and much smaller, simpler vocabularies. Complex ideas are often avoided because the vocabulary required to deal with them is too difficult for most readers. So we get high school and college textbooks that treat the complexities of life with comic book simplicity and novels written without richness of language or depth of character. To many Americans, highly literate English is now a foreign language.

All of which may lead any intelligent American to ask a number of pointed questions: Why should the world's most affluent and advanced nation, with free, *compulsory* education for all, have a "reading problem" in the first place? What, indeed, are the kids doing in school if not learning to read? How is it that our network of state-owned and -operated teachers colleges with strict certification requirements doesn't produce teachers who can teach?

And how is it that in a nation that has devoted more of its money and resources to education than any other nation in history, we find a Jonathan Kozol on the *MacNeil-Lehrer Report* advocating that we learn from Communist Cuba how to eradicate illiteracy in America? Is our much-vaunted educational system indeed inferior to that of Castro's Cuba? How is it that our educators are in a quandary over our declining literacy skills and don't know what to do about it except ask for more money? And how is it that the more federal money is poured into public education the worse the SAT scores get?

Don't expect any answers to come from the people in charge. If they knew the answers, we would not have the problem. But the answers do exist, and the reason why they have gotten very little attention in the media is that they are too incredible, and our educators will neither confirm nor deny them. The result is that the public doesn't know who or what to believe.



The trouble is that you have to become an expert if you want to confront the educators on their own turf. My own introduction to the reading problem began in 1962 when Watson Washburn, who had just founded the Reading Reform Foundation, asked me to become a member of his national advisory council. Washburn, a distinguished New York attorney, had become concerned about the reading problem when he discovered that several of his nieces and nephews, who were attending the city's finest private schools, were having a terrible time learning to read. He found out that they were being taught to read via the "look-say" method, a method that Rudolf Flesch had exposed and denounced in his 1955 book, *Why Johnny Can't Read.*

Flesch had written the book to explain to a somewhat baffled public why more and more primary-school children were having enormous difficulties learning to read, difficulties that parents had already begun to notice and complain about in the 1940s. The incisive, Vienna-born author was quite blunt in identifying the cause of the problem: "The teaching of reading all over the United States, in all the schools, and in all the textbooks," he wrote, "is totally wrong and flies in the face of all logic and common sense."

He then went on to explain that from about 1930 to 1950, beginning reading instruction in American schools had been radically changed by the professors of education from the traditional alphabetic-phonics method to a new whole-word, or hieroglyphic, method. Written English was no longer taught as a sound-symbol system but as an ideographic system, like Chinese. This was news to a lot of parents who assumed that their children were being taught to read the

The vast majority of American children are trapped within a system that is turning their brains into macaroni.

way they had been taught. How else could you possibly learn to read? they wondered.

In 1962, despite Flesch, the schools were still teaching the look-say method, which is why Washburn created the Reading Reform Foundation—to try to get the alphabet and phonics back into primary education as the dominant form of reading instruction. At that time I was a book editor in New York and had little interest in primary education. But the foundation's goal seemed quite laudable, so I joined the advisory council.

That was the extent of my involvement with the reading problem until I started working on my first book, *How to Start Your Own Private School—And Why You Need One.* In researching that book, I had spent 18 months of 1970-71 substitute teaching in the public schools of Quincy, Massachusetts, in order to get a first-hand view of what was going on in the American classroom. I suddenly became aware that a great many high school students were reading very poorly. In fact, some of the students reminded me of the foreign-born I had grown up with in New York. They read in that same halting, stumbling manner.

My parents, immigrants from Eastern Europe, had both been illiterate in English. My mother had no literacy in any language even though she was quite intelligent; she was simply the product of Old World poverty and neglect. Her children, however—three of whom were born in Europe; two, including myself, in the United States—all learned to read and write quite fluently in the public schools of New York with no apparent problems. Although no one ever spoke of the alphabet as a "sound-symbol system," we were all aware that the alphabet letters stood for sounds.

Yet I remember the terrible difficulty I had when I tried to teach my mother to read. Her illiteracy had been something of a challenge to me. It seemed like such an appalling state for a normally intelligent person to be in: to have no access at all to the world of the written word; not to be able to read street signs, advertisements, newspapers, magazines. Thus, I grew up very much aware of the terrible limitations illiteracy placed on a person and also of the frustrations and shame it sometimes caused. My mother tried going to night school, but the teachers were unprepared for total illiteracy, and my mother returned home humiliated by the experience.

And so, while going to City College, I decided to try to teach my mother to read. I started off by teaching her the alphabet. She learned it quite well. But then I was not too sure how to proceed from there. So I started teaching her to read whole words in short sentences, like: *Sara is my name. My name is Sara.* She learned to repeat the sentences, but she did not learn to read them. I didn't know what was wrong. I tried to convey the idea that letters stood for sounds, but I did it rather haphazardly, as an afterthought, as if the idea was so obvious that anyone could catch on to it. It's so simple, I thought impatiently, why can't she learn it?

What I didn't realize is that an illiterate, as well as a small child, has no conception of a set of written symbols standing for the irreducible speech sounds of a language. The assumption of the illiterate is that printed words represent ideas rather than sounds. To an illiterate who does not have a key to the sound-symbol code, printed words are therefore undecipherable markings.

What I also didn't realize is that our alphabet system is somewhat complicated. We use 26 letters to represent 44 sounds; there is an important distinction to be made between the letter names and letter sounds. And because the system has many quaint irregularities, it has to be taught in a logical, organized sequence, starting with the simplest regular combinations and proceeding to the more complex irregular ones.

Had I known this, I would have known how to teach my mother to read. Unfortunately, my own ignorance was so appalling that I gave up in the attempt and blamed my failure on my mother's inability to learn. It took me 25 years to find out what an ignoramus I had been. In the meantime, my mother had died and the problem of teaching reading in America had become the educational dilemma of the century.

When my book on private schools was completed, I suggested to my publisher that I do one on the reading problem. My confrontation with the semiliterates in the schools of Quincy had opened my eyes to its seriousness, and I was curious to find out why, 15 years after the publication of *Why Johnny Can't Read*, Johnny was still fumbling and mumbling the written word. My publisher liked the idea, and I got to work.

First, I wanted to find out what it was about the look-say, whole-word method that made it the cause of so much reading disability. So I decided to study one of the whole-word programs, going through the entire "Dick and Jane" course of instruction, page by page, line by line, from the prereaders to the third-grade readers. It was an excruciating, tedious task, and the more I read, the angrier I got. I could not understand how professors of education could have concocted an approach to reading instruction so needlessly complicated, difficult, illogical, and ineffective. This look-say method was far worse than Flesch had described it in his book. You had to be an expert guesser or have a photographic memory to get anywhere with it. I knew that if I had been subjected to this blatant educational malpractice at the age of six, I too would likely have wound up among the reading disabled.

But how was it possible for such an imbecilic method to have come to be used so universally in American primary schools? I became determined to find out who had started it all. What "educator" was insane enough to think that you could successfully teach children to read English as if it were Chinese? After considerable digging through the historical archives, I found the "culprit." But he turned out not to be a culprit at all. In fact, he turned out to be someone quite interesting, important, and sympathetic.

He was Thomas H. Gallaudet, the venerable founder of the Hartford Asylum for the Deaf and Dumb. I discovered that his *Mother's Primer*, first published in 1835, was the first look-say primer to appear. I had the pleasure of inspecting a rare copy of the book, which is kept in a vault at Gallaudet College in Washington, D.C. Its first line reads: "Frank had a dog; his name was Spot."

Gallaudet was an unusual teacher who brought to the learning problems of the deaf and dumb great empathy and a talent for innovation. He thought he could apply to normal children some of the techniques used to teach deaf-mutes to read. Since deaf-mutes have no conception of a spoken language, they could not learn a sound-symbol system of reading. Instead, they were taught to read by way of a purely sight method consisting of pictures and whole words. Thus, as far as the deaf pupil was concerned, the written language represented ideas only and had nothing to do with sounds made by the tongue and vocal chords. Might not such a method work even better with normal children?

In 1836 the Boston Primary School Committee decided to try Gallaudet's primer on an experimental basis. Horace Mann, who became secretary of the Massachusetts Board of Education in June 1837, was very critical of the traditional alphabetic teaching method, and he heartily endorsed the new method as a means of liberating children from academic tyranny. In November the Primary School Committee reported favorably on the Gallaudet primer, and it was officially adopted for use in the Boston primary schools. Pretty soon other textbook writers got on the whole-word bandwagon, and they began producing their own versions of the Gallaudet primer.

All of this took place in the context of a great movement for universal public education, which was expected to eradicate the ills of mankind by applying science and rationality to education. In 1839 Mann and his fellow reformers established the first state-owned and operated college for teacher training—the Normal School at Lexington, Massachusetts. Gallaudet had been offered the school's directorship but declined it. The man who did accept the post, Cyrus W. Peirce, was just as enthusiastic about the whole-word method as Mann. And so, in the very first year of the very first state teachers college in America, the whole-word method of reading instruction was taught to its students as the preferred and superior method of instruction. Thus, educational quackery not only got a great running start with state-controlled teacher training but became a permanent part of it.

During the next five years, Mann's *Common School Journal* became the propaganda medium not only of the public school movement and the state normal schools but of its quackery—particularly the whole-word method. But finally, in 1844, there was an incredible reaction. A group of Boston schoolmasters, who had had enough of the nonsense, published a blistering book-length attack on Mann and his reforms. Included in the attack was a thorough, detailed and incisive critique of the whole-word method, the first such critique ever to be written.

This attack ignited a bitter dispute between Mann and the schoolmasters that was to last for more than a year and result in a return to common sense in primary reading instruction. The state normal schools, fledgling institutions at best, were simply not yet powerful enough to exert a decisive influence in the local classroom. Professors of education were still a long way off in the future. So the alphabetic method was restored to its proper place in primary instruction. But the whole-word method was kept alive in the normal schools as a legitimate alternative until it could be refurbished by a new generation of reformers in the new progressive age.

The whole-word method began to make its comeback around the turn of the century and eventually took over modern primary instruction. A new progressive philosophy of education was being propounded by socialist John Dewey, who wanted to change the focus of education from the development of individual academic skills to the development of cooperative social skills. The object of socialism had been from the very beginning to remake man from the competitive being of capitalist society to a cooperative being in a collectivist state. Education was considered the best means to achieve this. Dewey's famous Laboratory School at the University of Chicago (1896-1904) and, later, the Lincoln School (1917-46) at Teachers College, Columbia University, where Dewey opened shop in 1905, set the new direction for teacher education.

Curiously enough, one of the patrons of the Lincoln School was John D. Rockefeller, Jr., who sent four of his five sons to be educated there. Jules Abel, in his book on the Rockefellers, revealed some interesting details about what the Lincoln School did for the boys' literacy:

The influence of the Lincoln School, which, as a progressive school, encouraged students to explore their own interests and taught them to live in society has been a dominant one in their lives. . . . Yet Laurance gives startling confirmation as to "Why Johnnie Can't Read." He says that the Lincoln School did not teach him to read and write as he wishes he now could. Nelson, today, admits that reading for him is a "slow and tortuous process" that he does not

enjoy doing but compels himself to do it. This is significant evidence in the debate that has raged about modern educational techniques.

The tragedy is that there are millions of Americans like the Rockefellers who must endure the crippling consequences of such malpractice.

It is, of course, no accident that the two leading developers and advocates of the new teaching method spent their entire careers at the two main centers where John Dewey's influence was greatest and where most of the progressive ferment was taking place. William Scott Gray joined the faculty at the University of Chicago in 1914 and was dean of its college of education from 1917 to 1931. He was chief editor of the Scott, Foresman & Co. "Dick and Jane" basal reading program from 1930 until his death in 1960.

Arthur I. Gates toiled in the vineyards of Columbia Teachers College as a professor of education from 1917 to 1965. He was chief editor of the publisher Macmillan's basal reading program from 1930 well into the '60s. He died in 1972.

Both Gray and Gates wrote hundreds of articles on reading instruction for the professional journals as well as numerous textbooks used in teacher training. Gray was especially instrumental in organizing the International Reading Association in 1955. It has become the world's largest and most influential professional organization devoted to reading instruction, and it is perhaps the only organization of such size in which a form of educational malpractice has been enshrined as the highest pedagogical good and its practitioners awarded prizes for their "achievements."

While Flesch was the first to expose look-say to the general public, he was not the first to question the new method's soundness or to confront the professors with its potentially harmful effects. The first to do that was Dr. Samuel T. Orton, a neuropathologist, who in 1929 published an article in *Educational Psychology* reporting that many children could not learn to read via the new whole-word method. He warned that this method "may not only prevent the acquisition of academic education by children of average capacity but may also give rise to far-reaching damage to their emotional life."

Orton had discovered all of this in the 1920s while investigating cases of reading disability in Iowa, where the new method was being widely used. But the professors of education decided that Orton didn't know much about education and went ahead with their plans to publish the new basal reading programs. Later they made use of Orton's own medical diagnoses and terminology to identify what was wrong with the kids having trouble learning to read. But they never admitted that it was the teaching method that caused these problems to develop.

So, as early as 1929, the educators had had some warning from a prominent physician that the new whole-word method could cause serious reading disability. Despite this, the new basal reading programs turned out to be huge commercial successes as whole school districts switched over to Dick and Jane, Alice and Jerry, Janet and Mark, Jimmy and Sue, Tom and Betty, and other whole-word basal series that were earning substantial royalties for their professor-of-education authors.

By the 1940s, schools everywhere were setting up remedial reading departments and reading clinics to handle the thousands of children with reading problems. In fact, remedial teaching had blossomed into a whole new educational specialty with its own professional status, and educational research on reading problems had become a new growth industry.

Researchers, seeking the causes of growing reading disability, began to develop a whole new lexicon of exotic terms to deal with this previously unknown problem: congenital word blindness, word deafness, developmental alexia, congenital alexia, congenital aphasia, dyslexia, strephosymbolia, binocular imbalance, ocular blocks, dyslexaphoria, ocular-manual laterality, minimal brain damage, and whatever else sounded plausible.

What were the cures recommended for these horrible diseases? *Life* magazine, in a major article on dyslexia in 1944, described the cure recommended by the Dyslexia Institute at Northwestern University for one little girl with an IQ of 118: thyroid treatments, removal of tonsils and adenoids, exercises to strengthen her eye muscles. It's a wonder they didn't suggest a prefrontal lobotomy.

With the boom in remedial teaching also came the creation of professional organizations to deal with it. In 1946 the National Association for Remedial Teaching was founded, and two years later the International Council for the Improvement of Reading Instruction was organized. Both organizations held annual conventions, published bulletins, and provided publishers the opportunity to exhibit their wares.

At this point, one might ask, how could the professors get away with this blatant educational malpractice in a free country where parents and elected representatives are supposed to have ultimate control over the public schools? Flesch gave the answer:

It's a foolproof system all right. Every grade-school teacher in the country has to go to a teachers' college or school of education; every teachers' college gives at least one course on how to teach reading; every course on how to teach reading is based on a textbook; every one of those textbooks is written by one of the high priests of the word method. In the old days it was impossible to keep a good teacher from following her own common sense and practical knowledge; today the phonetic system of teaching reading is kept out of our schools as effectively as if we had a dictatorship with an all-powerful Ministry of Education.

Apparently, government-monopolized education, even without a dictatorship, is quite capable of stifling dissent. In the matter of reading instruction, what we have had to contend with is a private monopoly of professors of education within a state-controlled and -regulated system. These professors had a strong economic and professional interest in pushing and keeping their textbooks and methodology in the schools, and the state system made it easy for them to create a monopoly and maintain it indefinitely. Teacher certification laws require that young teachers be trained by these educators, who not only prepare the curriculum for teacher training but also hold sway over the professional journals the teachers read and the organizations they join. In addition, the professors of education are organized professionally along national lines and therefore can exert a nationwide influence over the teaching profession as a whole.

As state institutions, the public schools are well protected from the forces that normally determine the success or failure of a private enterprise. Monopolies flourish in the public sector because of the latter's hierarchical, bureaucratic structure, which rewards conformity and discourages competition. Those who work their way up to positions of power and control in the hierarchy use that power by way of tenure to solidify and perpetuate their control. They supervise the doctoral programs and set the standards for promotion within the hierarchy, and they advance only those who support them. Thus, the system is self-perpetuating.

What was the reaction of the professors of education to the publication in 1955 of *Why Johnny Can't Read?* They denounced Flesch in no uncertain terms, accusing him of misrepresentation, oversimplification, and superficiality. Arthur Gates wrote an article in the *National Education Association Journal* entitled "Why Mr. Flesch Is Wrong," which the textbook publisher Macmillan reprinted for wider distribution among parents and teachers. Other authors of whole-word classroom materials referred to Horace Mann's endorsement of the method. Of course, they never pointed out that Mann was a lawyer, not an educator, and that he never taught primary school.

William S. Gray, to whom the profession looked for leadership, did an article for the *Reading Teacher* of December 1955 entitled "Phonic versus Other Methods of Teaching Reading." In that same issue, F. Duane Lamkin of the University of Virginia wrote a piece entitled "An Analysis of Propaganda Techniques Used in *Why Johnny Can't Read.*"

To Gray, the Flesch attack was actually nothing new. In 1951 there had been so much lay criticism of whole-word reading instruction that the *Reading Teacher* of May 15, 1952, published an article entitled "How Can We Meet the Attacks?" In the January 1952 issue of *Progressive Education*, Gray had specifically addressed himself to that problem, and he did so again in September of that year in a piece for the *Elementary School Journal.* Teachers were reassured by Gray's research evidence, which was described by a writer in the *Reading Teacher* as "a veritable storehouse of ammunition."

In the year of Flesch, another important event took place. Gray and his colleagues decided to combine the National Association for Remedial Teaching and the International Council for the Improvement of Reading Instruction to form one major professional organization: the International Reading Association. It would, in a few short years, become the impregnable citadel of the whole-word method. Gray, as expected, was elected its first president.

In 1956 the IRA had 7,000 members; today, it has about 65,000. It publishes four journals and holds an annual convention that attracts as many as 13,000 registrants. In addition, many of its state organizations hold annual local conventions of their own. So if you've wondered why reading instruction in America has not gotten better since the publication of *Why Johnny Can't Read,* there's the answer. The profession is simply too well insulated from public or parental pressures. As long as the schools continue to buy the books that the professors write, why change anything?

Meanwhile, in those 25 years, criticism of the whole-word method has continued unabated. Charles Walcutt's *Tomorrow's Illiterates* appeared in 1961; Arthur Trace's *Reading without Dick and Jane*, in 1965. The Council for Basic Education was founded in 1958 by a group of concerned academicians who advocated a return to phonics, and the Reading Reform Foundation was organized in 1961. My own book, *The New Illiterates*, was published in 1973. But compared to the IRA, the combined opposition is like a swarm of flies on the back of an elephant.

Despite the furor among parents raised by Flesch's book in 1955, no major publisher brought out a phonics-based reading instruction program until 1963, when three publishers—Lippincott, Open Court, and the Economy Company—entered the market with new phonics programs. But the big companies—Scott, Foresman; Macmillan; Ginn; Harper & Row; Houghton Mifflin; American Book Company; etc.—continued to publish and aggressively sell their whole-word programs to about 85 percent of the primary school market.

Then, in 1967, a book was published that caused the IRA a bit of a problem. The book, *Learning to Read: The Great Debate*, was written by Dr. Jeanne Chall, a respected member of the IRA and a professor of education at the Harvard Graduate School of Education. After several years of research into a mountain of studies done on beginning reading instruction, Chall came to the conclusion that the phonics, or code, approach produced better readers than the whole-word method. In short, it was a vindication of what Rudolf Flesch had asserted 12 years earlier.

Since the book, financed by a grant from the Carnegie Corporation, had been written for the educational rather than the popular market, it did not make the kind of waves in the general press that Flesch's book did. Still, Chall had given ammunition to the IRA's worst enemies, and the profession dealt with her in its own way. The reviewer in the IRA's *Journal of Reading* (Jan. 1969) wrote:

What prevents Chall's study from achieving respectability is that many of her conclusions are derived from a consideration of studies that were ill-conceived, incomplete and lacking in the essentials of suitable methodological criteria. In her eagerness to clarify these studies she allowed her personal bias toward a code emphasis to color her interpretations of the data. . . .

It seems rather odd that a researcher intent upon dispelling confusion should have allowed herself to be moored on a reef of inconclusiveness and insubstantiality.

Reviewers in the *Reading Teacher, Elementary English*, and *Grade Teacher* were just as critical, all of which seriously reduced the impact that Chall's findings could have had on teachers of reading.

Meanwhile, whole-word authors found it necessary to come up with new arguments to counter potential competition from the phonics-based textbooks entering the market in the mid-'60s. The argument they used most effectively was that "research" had shown that there is no one best way to teach reading to all children. Of course, debating *this* took the focus off debating particular methods. Adding to the academic confusion in reading pedagogy was an expansion of the pedagogic vocabulary with new terms borrowed from linguistics and elsewhere, sometimes to convey new concepts, at other times to obfuscate the obvious. The linguists, for example, reaffirmed the alphabetic principle underlying written English but came out strongly against teaching children to articulate the isolated sounds.

A new level of sophistication in whole-word pedagogy was reached in 1967. Prof. Kenneth S. Goodman, the Scott, Foresman editor who has inherited William S. Gray's mantle of leadership, published his controversial article, "Reading: A Psycholinguistic Guessing Game," in the May 1967 *Journal of the Reading Specialist.* It was, for all practical purposes, an attempt by a professor-of-education whole-word author to discredit the new phonics competition from Lippincott. Goodman wrote:

The teacher's manual of the Lippincott Basic Reading *incorporates a letter by letter varians in the justification of its reading approach: "In short, following this program the child learns from the beginning to see words as the most skillful readers see them. . . as whole images of complete words with all their letters."*

In place of this misconception, I offer this: "Reading is a selective process. It involves partial use of available language cues selected from perceptual input on the basis of the reader's expectation. As this partial information is processed, tentative decisions are made to be confirmed, rejected or refined as reading progresses."

More simply stated, reading is a psycholinguistic guessing game.

So a whole-word author was willing to proclaim that reading is a guessing game, albeit a "psycholinguistic" one. But is it? The alphabet, in fact, makes guessing in reading unnecessary. Once you are trained in translating written sound symbols into the exact spoken language the symbols represent, precision in reading becomes automatic. You might not understand all the words you read, but that will be the case with all readers throughout their lives. Yet here were children being deliberately taught reading as a *guessing game.*

Meanwhile, Congress had decided to do something about the reading problem in the only way it knows how: by throwing money at it. It passed the Elementary and Secondary Education Act of 1965 with its now-famous Title One compensatory education program. The new Title One bureaucracy began showering the schools of America with billions of dollars in the hope that students who were failing in reading would be saved from future lives as functional illiterates. But what actually happened is that the 17,000 school districts that got the money indulged in an orgy of spending and hiring that caused untold joy among the suppliers and new levels of prosperity for the establishment.

But did the program do any good for the kids? If it did, then we should have seen an improvement in reading scores by 1975. Ten years ought to be enough time in which to test the effectiveness of a federal program. But the results were dismally disappointing. From New York to California came the same disastrous news of declining reading scores. As for SAT scores, they were in an alarming nosedive. The *Boston Globe* of August 29, 1976, described it as "a prolonged and broad-scale decline unequalled in US history. The downward spiral, which affects many other subject areas as well, began abruptly in the mid-1960s and shows no signs of bottoming out." The verbal SAT mean score had gone from 467 in 1966-67 to 424 in 1980.

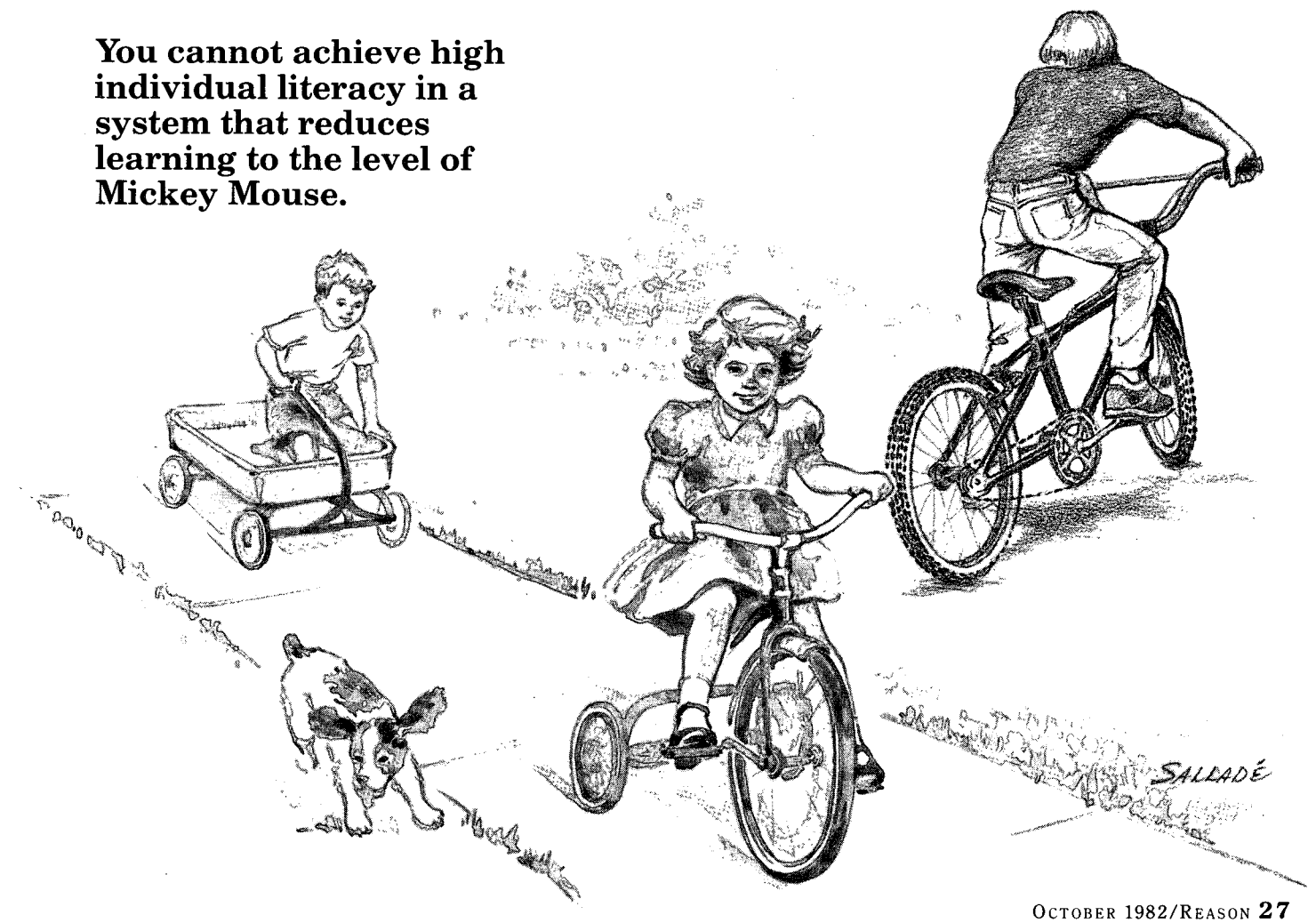
Anyone intimately acquainted with the reading-instruction scene could have predicted as much, for the federal billions did absolutely nothing to correct the teaching-methods problem. In fact, it aggravated the problem by literally forcing the schools to finance even more educational malpractice than they could have ever afforded on their own.

The failure of Title One to improve reading skills did not go entirely unnoticed. In 1969 the National Academy of Education appointed a blue-ribbon Committee on Reading to study the nation's illiteracy problem and recommend ways to solve it. In its report in 1975, the committee had this to say about Title One:

> *It is not cynical to suggest that the chief beneficiaries of the Elementary and Secondary Education Act (ESEA) have been members of school systems—both professional and paraprofessional—for whom new jobs were created. Seven years and as many billion dollars later, the children of the poor have not been "compensated" as clearly as the employees of the school systems through this investment.*

The committee recommended a rather radical idea, a sort of reading stamps program—the use of vouchers with which students could purchase reading instruction from competent public or nonpublic sources. "We believe," wrote the committee,

You cannot achieve high individual literacy in a system that reduces learning to the level of Mickey Mouse.



that an effective *national reading effort should bypass the existing education macrostructure. At a minimum, it should provide alternatives to that structure. That is, the planning, implementing, and discretionary powers of budgeting should not rest with those most likely to have a vested interest in maintaining the status quo, especially given their unpromising "track record."*

What the committee was telling us, in effect, is that the greatest obstacle to literacy in America is our own educational establishment and that if we want to achieve real education in our country, we shall have to circumvent that establishment.

What a staggering indictment! The system had been created to ensure literacy for all. Now we were being told that it was an obstacle. How could you circumvent $100 billion worth of institutionalized malpractice? It was more easily said than done.

Actually, in 1975, there was already in operation a federal program that was making a very discreet effort to circumvent the establishment. It had been launched in 1970 by the US Commissioner of Education, James E. Allen, Jr., as the Right-to-Read program. Its purpose was to mobilize a national commitment to literacy somewhat in the same spirit that the nation had mobilized its talents and technology to put a man on the moon, but with much less money.

That such a program was even needed when Title One was already supplementing the schools with billions of dollars in reading programs merely dramatized the utter failure of Title One. Of course, the International Reading Association was first in line to welcome the new program, which meant more money in the pockets of publishers and reading specialists.

But you can't fool all of the people all of the time. Indeed, some bureaucrats are honest individuals trapped in a system they cannot change. I found such a one in Joseph Tremont, director of Right-to-Read in Massachusetts from 1973 to 1980. Tremont had entered the teaching profession in the late '50s with much youthful idealism. He had taught in grade school and at teachers colleges and had worked with Dr. Chall at Harvard on her great research project. But at the end of 1980 he quit the teaching profession for private industry.

In May 1980, a month before Right-to-Read folded, he told me: "I'm sorry I didn't realize the impossibility of all of this fifteen years ago. I don't know how anyone can stay in this business and keep his self-respect. The irony is that I did everything I wanted to do. I did unbelievable things. But my superiors couldn't care less. They only care about the money from Washington. This is the most heartless bureaucracy I've ever seen in my life. Most of them are educational hacks I wouldn't even spit at."

In 1981 Rudolf Flesch again put the educators on trial in a new book, *Why Johnny Still Can't Read*, an up-to-date report on the literacy scandal. But this time the reading establishment barely took notice. Kenneth S. Goodman, leading apostle for "psycholinguistics"—the new code word for look-say—had become president of the IRA in 1981, carrying on the tradition started by William Scott Gray.

If the nation wasn't all that worked up over what Flesch had to say, it was probably because people had already begun to accept declining literacy as part of the way things are. Besides, it was now possible to blame television, the nuclear arms race, or the breakdown of the family for the decline. Indeed, the reading problem had defied solution for so long that it now seemed wiser to adjust to illiteracy than to beat one's head against a stone wall.

If Flesch had proven anything, it was that the educational establishment was virtually immovable—incapable not only of self-correction but even of admitting that there was anything to correct. For parents, it meant that they could not depend on the schools to teach their children to read properly

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It has become obvious to me that what prevents America from seeking a real solution to the reading problem is its mindless adherence to the idea of state-monopoly education with all of its aggrandizement of bureaucrats, its celebration of the mediocre, its oppression of the free spirit, and its strident anti-intellectualism. You cannot achieve high individual literacy in a system that numbs the intellect, stifles intelligence, and reduces learning to the level of Mickey Mouse.

So what is to be done? Since there is no national solution to the literacy problem acceptable to the educators or legislators, parents shall have to deal with the problem themselves. Many parents, in fact, have withdrawn their children from the public schools and put them in private ones where basic academic skills are stressed.

Most private schools, particularly the religious ones, where Biblical literacy is central, teach reading via phonics. But since many private schools recruit their teachers from the same pool of poorly trained professionals and use many of the same textbooks and materials found in the public schools, their academic standards may reflect more of the general culture than one might expect. Look-say, like television, permeates the educational marketplace so thoroughly and in so many guises, and it is so widely and uncritically accepted, that it takes expert knowledge to know the good from the bad, the useful from the harmful. The quality of a private school's reading program therefore really depends on the knowledge its trustees and principal may have of the literacy problem and its causes. It is this knowledge that can make the difference between a mediocre school and a superior school.

And in some cases it is this knowledge that inspires people to start a private school: to prove that the so-called uneducables are indeed quite educable. Such was the genesis of West Side Preparatory, the now-famous school founded by Marva Collins in 1975 in a black neighborhood in Chicago. A strong advocate of intensive phonics, Mrs. Collins started her school after spending 14 years in the public system, where she saw children's lives being ruined by the type of noneducation so prevalent throughout the system. "We have an epidemic out there," she told a Reading Reform Foundation audience in 1979, "and millions of children are dying mentally from it. It's not swine flu, it's not learning disabilities, it's not dyslexia—it's the look-say syndrome. No one has found a cure for the look-say syndrome except the relatively few of us who are trying to spread the truth."

Unfortunately, Marva Collinses are rare, and there are millions of children who need sane, competent reading instruction. Some parents have joined the growing movement for home education and are themselves teaching their children to read or hiring competent turors. In other words, there are ways to escape the state-supported monopolists, but it takes strong conviction and some know-how to do so.

Meanwhile, the vast majority of American children are trapped within a system that is turning their brains into macaroni. It's a tragedy that this has to occur when there is no lack of knowledge about how to teach children to read well. After all, they did it for at least 3,000 years before the professors of education took over. ◻

Samuel Blumenfeld is the author of numerous articles and several books, including, in REASON, *"Why the Schools Went Public" (Mar. 1979) and "Self-Help Schooling in South Boston" (Nov. 1980).*

SINK the Floating OPEC

Do we really want an international cartel with a stranglehold on oceanbed resources?

BY DOUG BANDOW

On April 30, the United States concluded its participation in what had become a supreme act of masochism: the United Nations Conference on the Law of the Sea (UNCLOS). Though the leaders of the developing countries, and their acolytes, are now singing hosannahs to the proposed 175-page treaty (or convention), with its 439 articles, President Reagan has done the world's peoples a favor by announcing that the United States will not sign it.

The treaty increases territorial sea limits from 3 to 12 miles, establishes 200-mile exclusive economic zones, promulgates rules on ocean marine research and pollution control, and provides international navigation rules. It also creates an international regulatory system governing deep seabed mining.

Unfortunately, the treaty, approved by a Conference vote of 130 to 4, with 17 abstentions, is a fatally flawed document. It is inconsistent with this country's economic and security interests and is inimical to the principles of liberty upon which our country was founded.

The treaty's most egregious flaws involve the Orwellian deep seabed mining regime that it would create: an "International Seabed Authority," ruled by an Assembly and a Council, to regulate deep seabed mining and redistribute income to developing countries, and a subsidiary "Enterprise" to mine the seabed for the Authority. This international Leviathan would severely restrict the potential world supply of minerals, and, in particular, US access to important strategic minerals. It also would pose pernicious political precedents for future international diplomatic and economic relations.

Access to the deep seabed is important because the seabed is covered with billions of polymetallic nodules, containing cobalt, manganese, nickel, and copper. Significant sulphide deposits have also recently been discovered.

Increasing the world supply of these resources would be of economic benefit not only to the United States but to the rest of the world. It would be of particular value to developing countries that are seeking to industrialize. Increased supplies of seabed minerals also would enhance our national security by reducing our overseas dependence on potentially unstable land-based suppliers of critical minerals, such as cobalt.

The treaty adopted in April, if accepted by the industrialized countries, would discourage any access to seabed resources. Virtually any regulatory system, however limited, tends to limit experimentation, depress productivity, and increase costs, creating inefficiencies and misallocations in the marketplace. But the byzantine regime created by this treaty is almost unique in its perversity, threatening development of deep seabed minerals in several ways.

First, the incomprehensible regulatory system is specifically designed to restrict private-sector development of the seabed. A company must survey two sites and turn one over *gratis* to the Enterprise before even applying for a production authorization. To then receive permission to mine its remaining site, a company must potentially compete with the Enterprise, developing nations, and other private companies. A production authorization also could be denied if the company was found to violate either the antimonopoly or antidensity provisions, which restrict the number of mine sites available to any one country—a restriction aimed at the United States.

Permission to mine would be finally subject to votes by the Legal and Technical Commission, the membership of which could be stacked, and the 36-member Council, which is dominated by developing countries. The US government has no effective blocking power, even in conjunction with other Western industrialized countries, despite their disproportionate political and economic interests in seabed mining. Hence, access by US firms would be dependent upon the whims of economic competitors, political adversaries, and nations that want *no* seabed mining.

Finally, the so-called pioneer investors—those active before ratification of the treaty—would be protected by grandfathering them into (not out of) the Authority's regulatory miasma. Although the four existing private seabed mining consortia and four specified companies controlled by foreign governments would each be guaranteed access to one site, other potential miners from the private sector could be frozen out by Council votes.

Second, many of the treaty's objectives are openly antimining, including "orderly and safe development," "rational management," "just and stable

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prices," and "the protection of developing countries." This special-interest protectionism is also embodied in the article limiting deep seabed mining production and authorizing commodity agreements and in an article (added late in the negotiations) governing subsidies to land-based producers.

In addition, a moratorium has been placed on the development of minerals other than manganese nodules, such as sulphides, until rules and regulations are adopted by the Authority. Of course, any nation opposing further resource development could, and probably would, block any new rules and regulations indefinitely.

Third, the convention mandates the transfer of mining and processing technology from private miners to the Authority and developing countries. *Technology* could be interpreted to include engineering and technical skills as well as actual equipment, and there is no effective compensation system for the unauthorized disclosure of any transferred technology.

Fourth, the treaty imposes significant financial burdens both on private miners and industrialized countries. The Authority and the Enterprise would be bureaucratic horrors, with initial start-up costs in the hundreds of millions, or billions, of dollars, and annual operating costs in the tens of millions. To fund them, miners would be subject to an application fee ($500,000), a fixed annual fee ($1 million), and a production, or royalty, charge. Developed countries would be required to provide subsidies in the form of interest-free loans and loan guarantees. The US share would be 25 percent. Moreover, the final session added the requirement that the sponsoring *country* of a miner be liable for the miner's obligations if the company were unable to perform.

Fifth, the seabed articles create a system of monopolistic advantages for the Enterprise that discriminates against private miners. The Enterprise gains a donated mine site for each and every site for which a developer seeks production authorization. It gains transferred technology directly from its competitors. And it receives from the Authority and from signatory nations subsidized financing and exemptions from taxes and Authority payments.

These competitive disadvantages for private miners include specific consideration granted to 125 developing countries and some 105 "land-locked and geographically disadvantaged" countries. The United States is neither, of course.

Sixth, even the severely restricted access for

Life without the Treaty

What happens if the US government stands firm in its decision not to sign the United Nations Law of the Sea treaty? Does it leave the United States in international isolation? Will it be impossible for US firms ever to mine the seabed?

It is true that on April 30 the United States was joined by only three other nations in voting against the Conference treaty. In the aftermath, the words *isolated* and *isolation* have shown up frequently in news reports and former diplomats' comments on the US vote and on President Reagan's July announcement that the United States would not be signing the agreement.

Yet 17 other nations—*including the Soviet Union, Britain, and West Germany*—failed, by abstaining, to vote for the treaty. Although greatly outnumbered by the 130 nations voting for the agreement, the abstaining and nay-voting countries are the source of 60 percent of world production and of contributions to the United Nations. In fact, the only major industrial nations voting for the treaty were France and Japan—and both pointed out that they were not saying whether they would ultimately ratify the treaty.

Sixty ratifications are needed for the treaty to go into effect, but analysts now speculate that they may be a long time in coming. Moreover, if 60 ratifications do come through, they may well be mainly from small nations. If so, the US government's desire for further negotiations on an alternative "mini-treaty" could bear fruit. The now-defunct Reciprocating States Agreement (RSA)—negotiated by France, West Germany, Britain, and the United States within the context of UNCLOS—could be the starting point.

The aim of the RSA was to provide a framework for harmonizing national ocean-mining legislation among its signatories and for delineating mine sites. It was to be open to signing by any nation, signatory or nonsignatory to the Law of the Sea treaty, industrial or developing. It attempted, not to regulate seabed mining, but to provide an international legal environment in which development of oceanbed resources might proceed.

Critics of the US stance against the UN treaty worry that, without it, US firms will be unable to obtain financing for the huge capital investments needed to explore and mine the ocean floor. The mining industry itself, however, has enthusiastically supported the Reagan administration's refusal to sign the treaty. As pointed out in a Heritage Foundation report ("The Law of the Sea Treaty: Can the US Afford to Sign?"), it seems doubtful that financing would be forthcoming anyway under the restrictive conditions imposed by the treaty; and with or without the Law of the Sea treaty, credit would be extended to ocean-mining firms on the basis of their existing assets and not their ability to produce seabed minerals.

The advantage of a treaty, then, would not be in the area of financing but in providing the climate in which potential seabed developers might risk their capital on such ventures. And the industry seems willing to bet on there being a viable alternative to the Law of the Sea regime.

—M. Z.

private miners could be swept away by a three-fourths vote of the member nations after the Review Conference meets 15 years after the commencement of commercial production. Thus, amendments to end private mining approved by the Third World and Soviet bloc could take effect without the consent of the United States and the other Western industrialized nations, irrespective of the seabed investments that had been made in the intervening time. Meanwhile, prejudicial changes in customary international law might preclude a return to open ocean access.

Overall, the treaty creates an environment enormously hostile to private investment. Yet it poses a far more serious danger to this country than simply hindering deep seabed development: ratifying it would legitimize the New International Economic Order (NIEO), a form of international hemlock being served by the developing states. The Law of the Sea conference was but one of the many forums through which the developing countries have been waging economic warfare on the developed nations.

The core of the developing countries' ideology is that economic relations are a zero-sum game, with rich countries having grown wealthy at the expense of poor ones. Third World poverty is seen as a legacy of colonialism, for which the industrialized countries owe reparations.

To enforce this obligation, the developing countries want to create a system of international organizations controlled by them to redistribute the wealth of developed countries' peoples. Such wealth includes not only money but also resources and technology. Demands for preferential insurance and transportation rates and subsidized technologies and claims of expropriation rights all are part of this international socialist nightmare. Related to the NIEO are other totalitarian dreams, such as the New International Information Order, with Third World control of the international press.

In fact, the Law of the Sea treaty is crucial for NIEO proponents, because it would radically restructure international relations, forging new, redistributionist and collectivist legal relationships between developing and developed nations. Among other things, the treaty would establish a legal duty for economically successful countries to pay tribute to unsuccessful ones, Third World control over previously unowned resources and proprietary private technology, and a system of international governance that does not fairly reflect America's political and economic stake in the issues involved.

US acceptance of the treaty, in the words of former Maltan UN Ambassador Arvid Pardo, "however qualified, reluctant, or defective, would validate the global democratic approach to decision making." This would greatly accelerate the campaign to instill NIEO principles in other international organizations and institutions and over other global problems and unowned resources, such as the Antarctic and outer space.

The treaty is fundamentally flawed in its philosophical conception, as well. Though neither commentators nor industrialized country negotiators have paid much attention to philosophy, preferring, instead, to focus on practical economic effects, ideology may have been the deciding factor in these negotiations: it drove and controlled the entire process.

Indeed, the negotiations over the seabed articles were almost entirely an ideological struggle to define the meaning of "common heritage of mankind." The developing countries—the so-called Group of 77—seized the philosophical high ground, effectively setting the agenda for the entire conference. Their ideological aggressiveness essentially guaranteed, from the very beginning, that the West would lose on both the philosophical and practical issues.

The industrialized countries, instead of accepting the redistributionist "common heritage of mankind" principles supported by the Third World, should have stood firm for the fundamental notion, drawn from John Locke, that property ownership of previously unowned resources devolves on those who identify them and mix their labor and capital with them. So vesting ownership in producers—those who take the risks and who have the greatest connection with the resources—is both moral and just. It also has historical and international precedents; the development of the American West is one example.

The treaty embodies the bizarre idea that nations are equal owners of ocean resources—that they are, in essence, as Robert Goldwin put it recently, "stockholders, each with an equal share of stock and the equal voting right that goes with it." This philosophy of international corporate ownership, by restricting access and confiscating earned wealth, goes far beyond the traditional principle of commons, with communal ownership and access. Granting ownership interests to countries that don't even have contact with the resources fundamentally perverts property ownership rights.

Indeed, such self-indulgent claims of ownership are prompted by the naked avarice of some of the leaders of developing states. An oligarchy of international lawyers and diplomats would appropriate and rule in the interests of themselves and their ruling establishments back home; the fundamental rights of all individuals, *including most of the citizens of the developing countries*, would be venally sacrificed in the guise of international justice, fairness, and cooperation.

The seabed articles offend other deeply held American values, as well. For instance, restricting entry into seabed mining, setting production limitations, limiting the number of sites for mining, and mandating the transfer of private technology all abridge miners' and consumers' economic liberties.

Such economic freedom arises from the natural right of self-ownership and the necessary corollary right to transfer and trade the fruits of one's own labor. It also arises as a necessary adjunct—indeed, prerequisite—to political freedom, by restricting the

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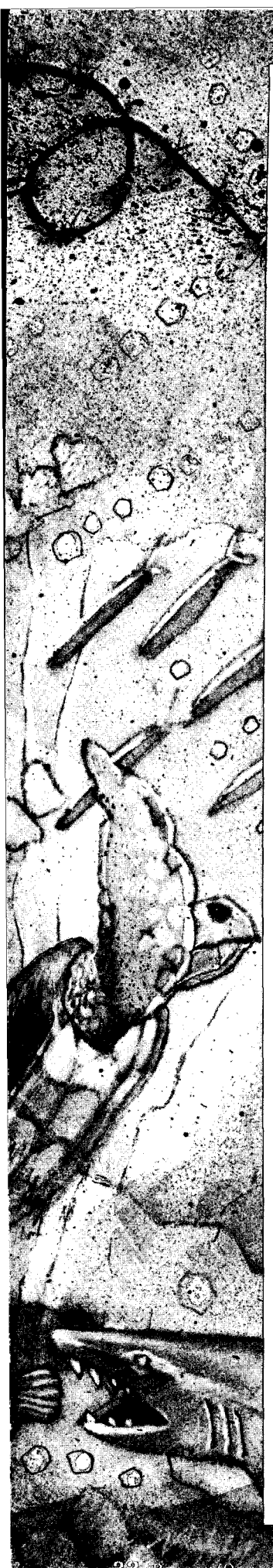

general authority of government over individuals and by preserving private counterforces to concentrated government power. The protection of these economic freedoms was one of the prime motivations for founding our democratic system, and the reasons for their protection remain just as compelling today.

Further, creating the Enterprise, with its monopolistic advantages of subsidized funding, donated mine sites, exemption from taxes and Authority payments, and transferred technology, violates the fundamental American antipathy toward government monopolies. Such cartels possess political power as well as economic power and are able to use their political power to aggregate additional economic power. This danger is even greater with the supranational, autonomous, and supremely political Authority.

What conceivable justification could there be for signing a treaty that discourages seabed development, sets dangerous political precedents for future international negotiation, and conflicts with fundamental American philosophical tenets? Some argue that the advantages of the other treaty provisions outweigh the disadvantages of the seabed articles. Others suggest that the lack of a universally accepted treaty could lead to anarchy, chaos, and maybe even war.

Both claims are nonsense. All too often we are asked to sacrifice very real philosophical and economic interests for amorphous and ephemeral foreign and defense policy objectives. The supposed advantages of the latter soon disappear; the disadvantages of the former persist.

For instance, the treaty would require eventual sharing of revenue from petroleum production from the outer margin of the continental shelf, discouraging energy development. The boundary provisions may be unsound. Marine science research would be severely restricted. And the pollution articles are at best marginally beneficial.

More important, the articles governing international navigation are not a major advantage to the United States. The location and depths of the world's straits, and the current state of military technology, suggest that America's military need for the treaty is limited. Further, economic and commercial interests make it likely that international navigation routes would remain open to commercial navigation without a treaty, even where belligerents with no respect for international law, such as Iran and Iraq, are involved.

The articles also offer little improvement over current customary international law. They retreat from free navigation in some instances and are dangerously ambiguous in others.

Indeed, even if the articles were clearly advantageous, such an idealized regime of international law cannot overcome reality. Any navigational guarantees are likely to be commonly supported only so long as it is in both parties' interests to do so. History is replete with examples of countries breaking treaties when they have considered it to be in their national interest. Thus, meaningful navigation protection will come from the ability and willingness of the US government to assure compliance and from the state of the bilateral or regional relations involved. Having no treaty might be marginally less efficient, but that disadvantage would not warrant accepting the costs of the other sections of the treaty.

The anguished cries of the internationalistic Cassandras about anarchy and war should not be taken seriously either. One need only look at the conduct of nations during the past two decades to see that most have behaved rationally. Simply signing international agreements in no way guarantees order; even if it did, the order resulting from this treaty would not be desirable.

But rejecting this treaty will encourage reliance on a different kind of order—the spontaneous order that arises from reliance on voluntary cooperation and the marketplace. Such order, based on freedom of choice and flexibility, is preferable to the totalitarian order embraced by the Third World.

The Reagan administration's decision to reject the treaty was not made simply to satisfy the commercial interests of a few mining companies. Rather, the aim was to attempt to ensure that fundamental philosophical, economic, and national security interests of the United States are adequately protected in the years ahead.

Of course, rejecting the treaty means the failure of a process nearly two decades in the making. But, the question of the *kind* of global structure being created is paramount, for as former Delegation Deputy Chairman Richard Darman wrote:

. . . the notion of conceding [the negative international precedents set by the proposed treaty] to avoid the precedent of Conference "failure" (meaning "lack of agreement") seems absurd. It would be to trade long-term, substantive failure for avoidance of temporary procedural failure. Trading these objectionable elements for marginal gains in the system of environmental protection and dispute settlement seems out of proportion. Trading them for questionable interests in treaty protection of distant-water military mobility seems a tie to the past at the expense of the future. And trading them to protect interests that might just as well be protected without a comprehensive treaty seems no trade at all.

Rejecting the treaty also means risking the early death of the US deep seabed mining industry, for without a universally accepted treaty, there may be no US-flag seabed mining operations. If some foreign-flag seabed mining occurred under a treaty without our participation, however, the increased mineral production would still yield economic benefits to us. Moreover, if the return on seabed mining is high enough, some US seabed mining outside of the treaty is possible, since the geographical and technological characteristics of seabed mining create de facto property rights and discourage

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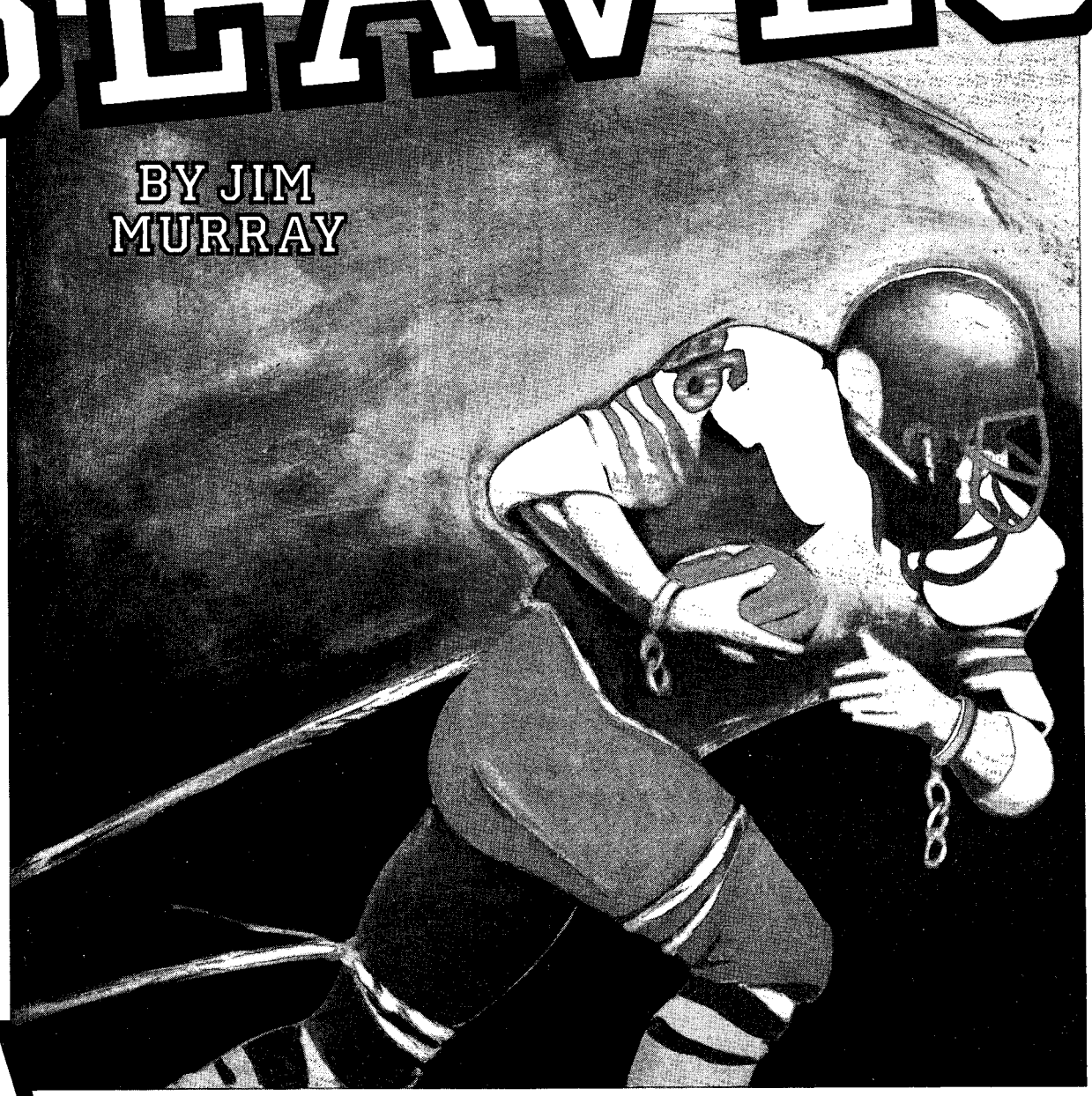
FOOTBALL SLAVES

BY JIM MURRAY



ALL MY LIFE I had supposed eminent domain to be merely the right of a government to bulldoze some old lady's little fruit stand to make way for an expressway, to drain a little boy's fishing pond to let a railroad through, or to chase Indians off land there might be oil under. It never occurred to me it could be used to put the arm on a guy who just wanted to leave town. Never in my wildest dreams did I consider a municipality would exercise it to take over a *football team.*

But in June the California State Supreme Court—a wonderful collection

Illustration by Steve Riedell

of refugees right out of Lewis Carroll, lovable eccentrics who seem to take their law from *Alice in Wonderland* instead of Blackstone—ruled that Oakland may sue to acquire the Raiders team and keep them from, as planned, moving to Los Angeles. That this may contravene the constitutional restraints against cruel and unusual punishment seems not to have weighed here. Perhaps that's another trial.

The ruling, presumably, was handed down by the White Rabbit himself. I don't know what Oakland's going to do with the Raiders. They can hardly turn them into a freeway or run a railroad through them. God knows there's no oil under them. Are they going to put swings on their field or monkey bars?

What I don't understand is, if you can condemn and obtain a football team, why didn't they try for the 49ers? Personally, I think they should have told the court they wanted at least the Cincinnati Bengals. If you can get a team by court order, why not the Dallas Cowboys? After all, they're America's Team, right? It's a nice idea, though. Maybe Yale should take over Notre Dame. God knows it would help New Haven—if anything can.

The action raises some nice points of law. If teams can't move, can individuals? What if the world's richest man has a stopover at the Oakland Airport? Can they get a writ from the California Supreme Court expropriating him under the right of eminent domain and forcing him to remain and pay taxes to the city of Oakland in perpetuity? Can they sell tickets to see him?

Is the ruling retroactive? Should it be applied nationally? If so, do the Dodgers go back to Brooklyn, the Giants to New York, the Lions to Detroit, the Rams to Los Angeles—indeed, to Cleveland, because that's where they originally came from? Do the Washington Redskins now go back to Boston? The St. Louis Cardinals go back to Chicago? Do the Chicago Bears become the Decatur Staleys again? After all, that's where they started. Where should the Braves go? Milwaukee first and then Boston? Do the Giants get out of Jersey?

Indeed, what would Oakland say if the courts in Pennsylvania decided its baseball team had to go back to Philadelphia, where it started as the Philadelphia Athletics 80 years ago? Does Los Angeles get the Chargers back?

The court ruled that Oakland "may acquire by eminent domain any property necessary to carry out any of its powers or functions." Funny. That's what Hitler said when he marched into Poland. The German word for eminent domain was *Lebensraum.*

In a way, it has always been cheeky of some carpet-bagging owner who made his money selling shirts to the army or guns to the Arabs, or whose grandfather bought furs for strings of glass beads, to be able to buy an athletic team like a set of electric trains or an Erector set and grandly superimpose the territorial mandate "New York" or "Chicago" or "Detroit" across their uniforms and feed on municipal pride and support. But, even if Al Davis, the well-known managing general partner, had called his team simply The Raiders, leaving blank the geographical identification, would this have protected him from the following "law"? "In this period of fiscal constraints, if the city fathers of Oakland in their collective wisdom elect to seek the ownership of a professional football franchise, are we to say them nay?"

Honest. That's what the court said. If they're asking me, the answer would be, "Hell, yes!"

Apart from all that, it's a lovely little grift. The city must pay "fair market value" for the condemned team. If you think they will, ask anybody whose beach house was condemned by government to provide a place for the public to drop its potato salad and sandwich wrappers and dogs' mistakes. The fair market value of the Rams in 1962 when Dan Reeves bought the club outright was $7 million. Ten years later, Carroll Rosenbloom acquired it for $19 million.

If you're beginning to see a trend, stick around. I think Al Davis is gonna feel like that little old lady with the fruit stand. He will get banana peels all over him. Sometimes, when the city takes over your property, it promises to help you reestablish in some other location. They'll probably help Al get a Roller Derby franchise in Dubuque.

As of late August, it appears that the Raiders will be starting the 1982 football season in Los Angeles. The California Supreme Court, in ruling that Oakland may go to court to attempt to retain the team under eminent domain, refused to grant an injunction keeping the team from moving while the case is decided. Later, the Ninth Circuit Court of Appeals, in a separate court battle between the National Football League and the Raiders, rejected an NFL request that the team be ordered to stay put while the NFL fights the move in court.—Eds. ◻

Jim Murray is a sports columnist for the Los Angeles Times, *from which this article is reprinted with permission.*

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Floating OPEC

(Continued from p. 32)

poachers, and economic or military retaliation by treaty signatories seems unlikely.

Still, in rejecting the treaty, the US government should begin building an alternative ocean resource regime based on current customary international law, which provides open access to seabed resources and allows miners to mine. Such an alternative mining system would be rooted in the traditional principles of freedom of the high seas and would be intended simply to create an international mechanism to vest and protect the resource property rights of those who seek to explore and develop the seabed and to resolve conflicts between them.

The Deep Seabed Hard Mineral Resources Act, passed in 1980 to provide an interim framework until the treaty came into force, should be amended to eliminate the prohibition on actual mining before 1988. Then the government must attempt to reach an agreement with other potential seabed mining nations for mutual recognition of claims and settlement of disputes over contested claims. Though the major industrialized countries now appear to be unwilling to sign the previously negotiated "Reciprocating States Agreement," after the administration's decision not to sign the Conference treaty, they may be amenable to less-formal arrangement, including even simple parallelism, that would have the same effect.

Such arrangements would recognize that free-market seabed mining and voluntary commercial exchange exploit no one. It also would define the "common heritage of mankind" as a common heritage of unimpeded and equal access to previously unowned resources and freedom to use individual initiative to develop those resources. And it would build an international system intended to benefit all the peoples of the world, not just an elite class of international bureaucrats, lawyers, and political leaders.

In building such a system, the United States would be creating a truly just international structure, which would promote free trade and economic prosperity. In doing so, our country would be enhancing the prospects for international cooperation and world peace. ◻

Doug Bandow is the editor of Inquiry *magazine. Until early 1982, he was a special assistant to the president for policy development. He served as a deputy representative to the 10th and 11th sessions of the Third UN Conference on the Law of the Sea.*

Minibuses in Kuala Lumpur account for more than 50 percent of passenger miles in peak periods

What do Third World cities have that ours don't? Flexible, low-cost transportation. The surprise is how they do it.

FREE-LANCE TRANSIT

By Gabriel Roth

THE CONVENTIONAL WISDOM, at least in countries that are pleased to call themselves "developed," is that urban public transport has to be supplied by a publicly owned or franchised monopoly and that services have to be slow, costly, and unprofitable. Working with George G. Wynne, however, I have found that wisdom eminently open to challenge.* On the basis of evidence from a wide variety of cities on five continents, we were led to conclude that market forces, if allowed to work, can supply—at a profit—high-quality urban transport services at fares that the great majority of travelers would be willing to pay.

How might this be done? What is the secret? A new technology? New methods of "coordination"? New computer models to aid the hard-pressed transport planners? None of the above! In fact, it is profit that provides motivating force, small independent operating firms that work as the implementing units, and the shared taxi and minibus that turn out to be the appropriate technology. The shared taxis of Belfast, Northern Ireland, are an example of the providers of services that compare favorably, in both speed and cost, with conventional buses.

How is it that these systems, which might be called *informal public transport*, are more successful than the conventional systems in providing higher standards of speed (measured door-to-door), comfort (seats for all), and profitability (higher profits or lower subsidies)? Evidence from both developing and developed countries suggest that there are four factors involved.

PRIVATE SUCCESS

The first is that ownership of the informal public transport is in private hands. That publicly owned bus companies sustain losses is not entirely surprising, since the systems taken over by public authorities tend to be the ones that are not run at a profit by private operators. However, the losses under public ownership tend to rise rapidly, at a rate that bears little relationship to increases in service levels. The losses appear to be due to the higher cost levels (especially wages) that can be afforded by subsidized systems and the inability of publicly owned operators to resist pressures from politicians to hold down fares and expand unprofitable services.

The effect of private ownership on bus operating costs can be seen in Australia. In 1975, 52 percent of the buses in New South Wales, 83 percent of those in Victoria, and 46 percent of those in Queensland were private. In Queensland and Victoria, private operators were not allowed to raise their fares to meet increased costs but received government subsidies to enable them to stay in business. Thus, both publicly and privately owned buses in Australia were

*Our findings have been published in *Free Enterprise Urban Transportation*, by Gabriel Roth and George Wynne (Council for International Urban Liaison, 818 18th Street, NW, Washington, DC 20006).

Photographs courtesy of the Council for International Urban Liaison

subsidized in 1975.

What happened under these circumstances? The unit costs of the private firms were found to be substantially lower than those of the public ones. For example, the ratio of total employees to buses owned was typically 1.0-1.5 for private operators but 2.0-2.5 for public ones. Driver wages in the public sector exceeded those in the private sector by 43 percent; payments to traffic staff in the public sector were double those in the private sector; and wage costs for vehicle repairs and maintenance were 12 percent of total costs in the public sector but only 6 percent of private operators' costs, because much of the maintenance of private buses was carried out by the drivers themselves.

Calcutta provides another striking example of the superiority of private ownership, even when using full-size buses. Private buses first appeared in the city toward the end of the 19th century but were banned in 1960 when all bus services were vested in the Calcutta State Transport Corporation (CSTC). The CSTC suffered from managerial and financial problems and in 1966 was paralyzed by strikes. In response to public demand before the 1966 elections and to its own need for ready cash, the government of West Bengal sold permits that enabled 300 private buses to be operated. These operated at a profit, although they charged the same fare (equivalent to about one-half cent per mile) as the money-losing CSTC and had inferior routes.

By the late 1970s, some 1,500 full-sized private buses were operating in Calcutta, in addition to about 500 private minibuses. Today, the private buses account for about two-thirds of all bus trips in Calcutta *without subsidy.* Meanwhile, the CSTC, which operates similar routes at the same fares, has to be subsidized to the tune of $1 million a month by a government that is desperately short of funds. The success of the private operators has been attributed to adequate maintenance that results in high vehicle utilization, keenness in fare collection, and to the organization of small units in route associations, discussed in detail below.

SMALL IS SENSIBLE

Another critical difference between most publicly and privately owned systems is the size of the vehicles they operate. One of the established but questionable principles of public transport operation is that large vehicles are more economical to operate than small ones. Over two-thirds of bus operating costs are attributable to labor. So the idea is that it pays a bus company to have large vehicles—even if they are full for only a fraction of their working lives—to avoid the additional labor costs that would be required to meet peak demand with small vehicles. This reasoning, though apparently sensible, can be questioned on two grounds:

First, the capital cost *per seat* seems to increase with the size of the vehicle. For example, operators in San Juan, Puerto Rico, can expect to pay $17,000 for a minibus seating 17 but $140,000 for a full-size bus seating 50. Thus a full-size bus can cost almost three times as much per unit of passenger capacity as a minibus. This is mainly because small vehicles can be mass produced and bought "off the shelf," while large ones tend to be made on special order and assembled as separate units.

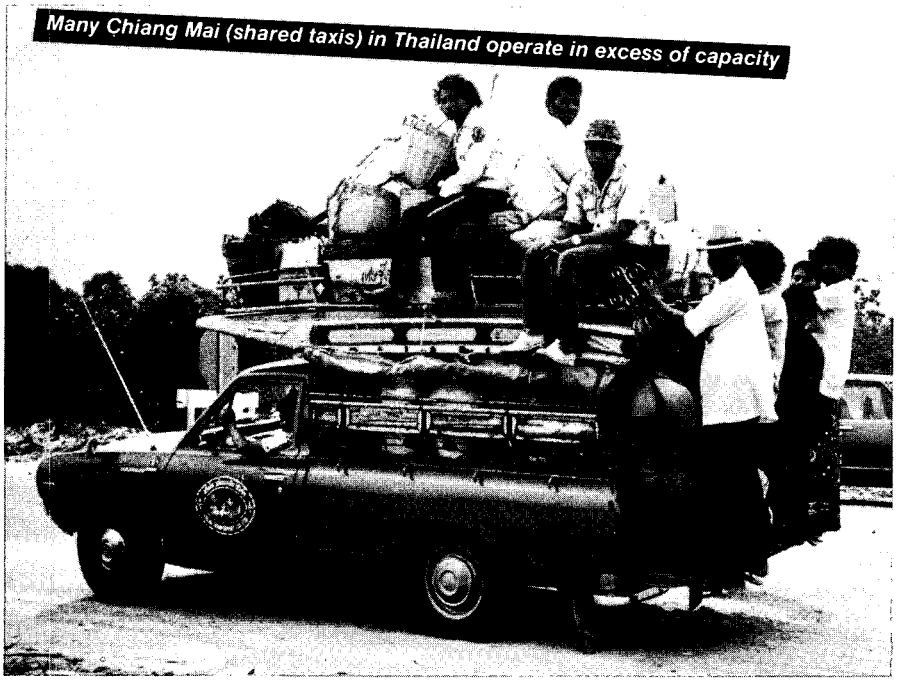
But there is a second reason favoring the small bus. While more subtle, it may be more important. For a given route capacity, small buses provide more frequent service than large ones and therefore involve less waiting time per passenger. This factor might not matter to a franchised operator who has to bear the costs of his crew but not the waiting time of his customers; hence the preference of monopoly operators for big vehicles. Where competition is allowed, however, those who provide transport have to respond to the needs of the passengers, most of whom dislike waiting for buses. To reduce waiting, it is necessary to use small vehicles providing frequent service.

The small bus has other advantages: as it holds fewer passengers, it is easier to fill with people starting at one point and wishing to travel to another, so it tends to stop less frequently than large buses. Being more maneuverable, it also can often make its way more quickly along congested roads.

It is significant that when private bus operators took over the municipal service in Buenos Aires in 1962, one of their first actions was to replace the large municipal buses with smaller ones. Indeed, whenever a private operator has the freedom to choose the size of his vehicles, he generally chooses something less than a full-size bus.

The effect of vehicle size on speed and occupancy—and the effect of invidious regulation—is illustrated by the case of Kuala Lumpur, Malaysia, which introduced minibus services on a limited basis in 1975. Over 2,000 applications were received in response to the government's invitation. By the end of 1975 there were about 100 minibuses plying routes in the city; and by 1978 the number had risen to 400, at which level the number was frozen. (It might be asked why, given the market demand for the minibuses, the government did not issue more licenses. One of the reasons for this was that the minibuses were taking traffic from the conventional buses, and the authorities were reluctant to license more minibus capacity while there were underutilized, full-size buses.)

As a result of the freeze, the minibus service—which was conceived as a luxury service for long-distance commuters—became degraded by overcrowding and standing passengers. The ratios of load to capacity (based on 58 seated passengers for a conventional bus and 16 for a minibus) were 68 percent in



Many Chiang Mai (shared taxis) in Thailand operate in excess of capacity

In Ethiopia, taxi service is often provided by owner-operators

the morning and 78 percent in the evening peak periods for conventional buses and 114 percent and 125 percent, respectively, for the minibuses, the occupancies in excess of 100 percent representing standing passengers. Surveys carried out in 1978 indicated that in peak periods the minibuses accounted for 35 percent of all bus trips to the central area and 53 percent of the passenger miles. (The percentage of passenger miles was higher than the percentage of trips because the average trip length by conventional bus was 2.4 miles, compared to 5.1 miles by minibus.) Thus, a fleet of 400 16-seat minibuses "produced" more passenger miles than did the 600 58-seat conventional buses that were estimated to have been operating at the time.

THE SIZE OF SUCCESS

A third factor in the success of informal public transport is that the organizational units that run them are relatively small. Units supplying public transport range from the one-man bicycle rickshaw in East Asia to fleets with thousands of buses in cities such as New York, Chicago, London, Bombay, and Bangkok. Numbers of employees per bus also vary widely, from under two in Australia to 58 in the Office des Transports en Commun du Zaire (OTCZ) of Kinshasa (as only about 50 percent of the OTCZ buses are on the road at any time, the staffing is actually 116 people per working bus).

Attempts have been made to assess the effect of fleet size on the efficiency of public transport systems, but the results are not conclusive. A study comparing different-size firms in Britain reported that unit costs increase with fleet size, while the opposite effect was found in India. There is thus no clear evidence that increases in the size of bus fleets result in lower costs or higher profitability.

On the other hand, there is much evidence that large bus fleets incur financial losses under the same conditions in which small operators—owner-drivers—make profits. Although operators the world over are reluctant to admit to making profits, the competition to obtain permits to provide service in Hong Kong, Kuala Lumpur, Manila, and other cities is a sure indication of profitability. In London, there is a case of a route that was given up by London Transport because it lost too much money and was subsequently operated, without subsidy, by a private operator.

The reasons for the financial viability of the small transport firm, be it a mover, a taxi driver, or a bus operator, are well known and typical of other types of small business in the service sector. The owner will be willing to work longer and less regular hours than would a paid bus driver in a large fleet. He will clean his own vehicle (or enlist the help of family members), and realizing the importance of servicing and maintenance, he is likely to do the work himself. He will not have his own depot but will service his vehicle on the street or at a local garage. His record keeping will be minimal. He will make a greater effort than a paid driver to collect fares from passengers and to ensure that the amounts collected do not get lost on the way. An extra driver can be employed if two shifts a day have to be run. Some facilities, such as two-way radio service, can add to earnings without the owner relinquishing control of his vehicle.

In passenger transport, the basic operating unit is the vehicle and, as the taxi business proves, it is possible for the owner of even one vehicle to operate it successfully at a profit. Indeed, in Colombia and Argentina, it is common for a group of people to own a small bus and to operate it at a profit. The owner-driver is in a particularly strong position to control the maintenance of his vehicle and the revenues obtained from customers. Hence there are real advantages to the operators of small transport units.

COOPERATIVE COMPETITION

The final advantage of small private firms is that they can provide a high level of service over a wide area as long as the organizational structure of the industry is appropriate. Taxis are a case in point. While some may be operated as one-person firms and others in large fleets, there is no need for any formal coordination to achieve an acceptable level of service. Taxis find their way to where the business is most profitable and provide an example of coordination through competition.

In order to make the maximum contribution in the provision of transport, however, the individual unit does have to work within an appropriate organizational framework. For example, a taxi looking for business has to be recognized by the public as being available for hire. If it is a vehicle intended to carry more than one person, its destination has to be clearly indicated. It is also important for the potential passenger to know the fare that is being charged and the places at which vehicles can be readily found. Some of these features are provided by route associations, which are to be found in many cities in Latin America, Africa, and Asia, and in this country in several towns in New Jersey.

The essence of the route association is that each vehicle remains under the control of its owner or owners, who are responsible for both driving and maintenance. What is shared is the route—that is, the members of the association ply a specified route in conjunction with others, thus offering travelers a frequent service. Fares are generally, but not invariably, fixed by the association. In Hong Kong and Istanbul, for example, higher fares are charged in peak periods when demand is higher and traffic congestion more acute (a similar system is in

effect with Washington, D.C., taxis, which are allowed to charge higher fares in peak periods than in off-peak ones). The revenues in some associations are retained by the individual members and in others (such as in New Jersey) are pooled among the members.

The precise organization of a route association varies from city to city. Any group operating a route has an interest in limiting its numbers and also in ensuring that its members work harmoniously with one another. This means that conditions must be imposed on entry (possibly an entrance fee) and that rules are laid down to prevent members from "stealing" traffic from following vehicles by traveling behind their schedules. In many cities, however, including Buenos Aires, Manila, Calcutta, and Hong Kong, route associations compete with one another so that no group has a monopoly over an entire route. There are reports of in-fighting between competing groups of operators, but the route associations definitely work, serving both the public and their members.

"DEVELOPED" FOLLIES

None of this is, of course, new. Even before World War I, jitneys were successful in the United States, both technically and economically. Why, then, are market forces not allowed to supply public transport in most cities of the "developed" countries? There are three reasons: an obsession with cross-subsidization, defense of entrenched positions by vested interests, and the attitudes of urban officials.

Any organization providing a variety of services inevitably earns higher profits from some than from others. A profit-seeking management will generally try to expand its high-profit operations and to eliminate those which incur a loss. In some fields, however—and urban public transport is a notorious example—loss-making services are subsidized by profitable ones as a matter of deliberate policy. This policy, called cross-subsidization, is incompatible with free competition and can only survive under the protection of an area-wide monopoly. Without such protection, competitors will inevitably eliminate the excess profits earned on the profitable operations and leave no surplus with which to subsidize the unprofitable.

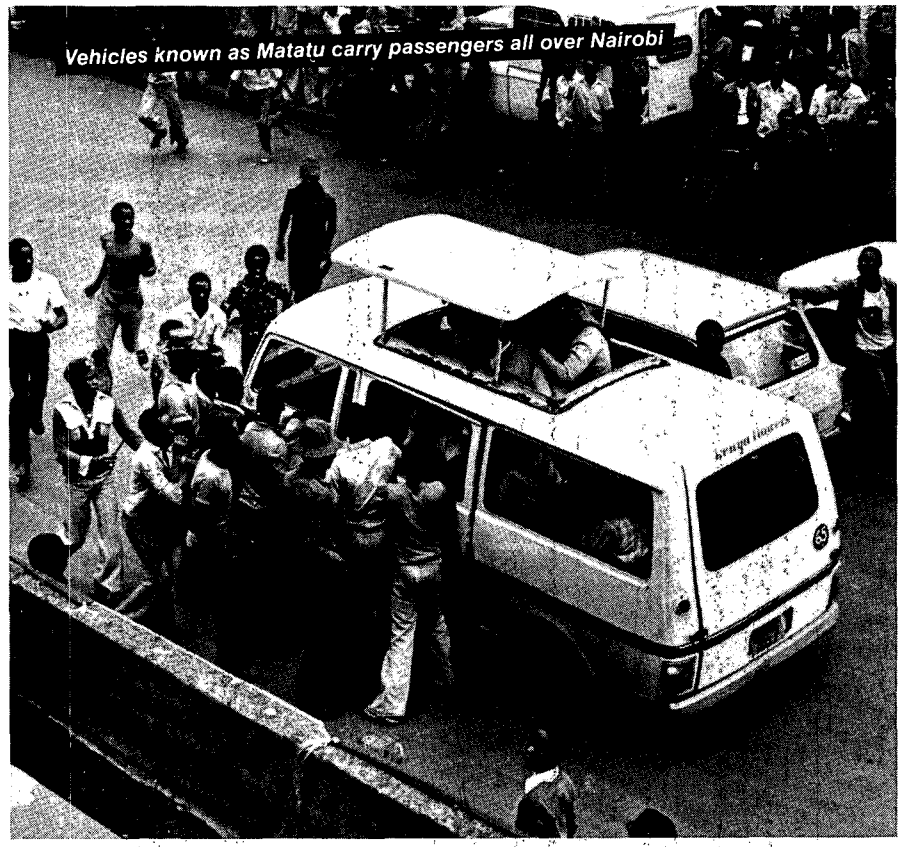
Cross-subsidization is pervasive in the provision of urban public transport. Not only do "good" routes support "thin" ones, but off-peak services support the peak-hour ones (which are generally the least profitable because of their use of equipment that is idle for most of the time); and, under the flat-fare system, short-distance (inner-city) riders subsidize the long-distance ones from the outer suburbs.

The attitude of the conventional public transport providers, and the pivotal role of cross-subsidization, can be seen from the following report of a leading transport consultant on the St. Louis "Service Cars," an association of jitney operators whose services accounted for 70 percent of all public transport trips in St. Louis in 1957:

Although the Service Cars offer a more frequent service than could be given a similar passenger volume by either streetcars or buses, this is not sufficient justification for their parasitical activity. Operation of this type of transit service has a capacity of only 8 persons as compared to the 50 or more seats in a transit vehicle. Since individually-operated vehicles cannot be expected to exchange transfers, general coverage of the city by Service Cars, instead of transit, would require about half of the riders to pay two fares. Competitive services of this character should not be permitted. They can survive only in areas where there is heavy transit riding, and these are the areas in which an area-wide transit system needs all of the business to average out the thin areas in which noncompensatory service is being operated.

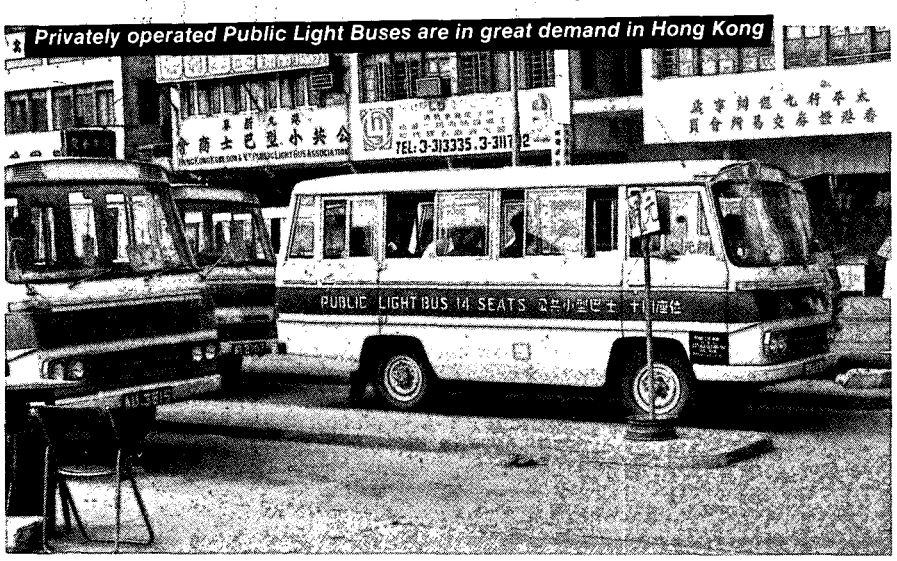
Even if there were compelling reasons for subsidizing certain classes of travelers or trips, such subsidies could be given directly, as are food stamps. There seems to be no good reason, other than administrative convenience, for requiring them to be paid by other travelers. On the other hand, cross-subsidization has major disadvantages:

- It is undemocratic, in that it gives power of taxation and subsidy to bodies that are not elected and not equipped to decide who should be forced to give how much and to whom.
- Insofar as a cross-subsidy requires surpluses from some operations to be used to maintain others, it prevents the fullest development of the services that earn the surpluses.
- By allowing public transport operators to look only at their *total* expenses and revenues, it discourages them from assessing the expenses and revenues of individual service elements, with a view to changing the fares when called for, expanding profitable services, and dropping unprofitable lines and schedules.
- Cross-subsidies are an inefficient way of helping those in need, in that many who get the benefits do not really require them.


Vehicles known as Matatu carry passengers all over Nairobi

Cross-subsidization has done immense damage to the public transport systems of New York, Chicago, and other American cities, where it has proven to be as unworkable in practice as would be expected from theory. A key reason for its failure has been the availability of private

transport, a mode that received much stimulation from the poor quality of public transport. The evidence from many countries, including the United States, suggests that the demise of cross-subsidization and its replacement by a competitive system would do more good than harm.



Privately operated Public Light Buses are in great demand in Hong Kong

In addition to the obsession with cross-subsidization, there are other powerful factors working against a shift to informal public transport in developed countries. Important beneficiaries of the existing systems are the people who work for them. In the January 1982 REASON, Peter Samuel cited the example of the token booth attendants of the New York subway, who in 1978 earned about twice as much as intermediate-grade tellers in New York banks. Similar examples can be found in London, where a group of workers were recently discovered to have beds at their workplaces to ease the burden of the night shift. (This and other practices led to a public outcry and to changes in London Transport's top management.) It is to be expected that those who benefit from the existing system will resist change, but it may be far cheaper for cities to compensate displaced workers than to continue the operations of expensive services that do not meet the public demands for convenient and speedy transport.

The power to give or withhold a license, whether for transport, cable television, or for any other service desired by the public, confers status on those who wield it, even where there is no trace of self-seeking or corruption. The suggestion that licensing procedures might be amended, or even—heaven forbid—abolished, implies that the present system is less than perfect, an idea that is not easy for the practitioners to accept. Even more difficult for an organization to accept is the proposition that some of the tasks currently being undertaken by its staff may actually be superfluous. For all these reasons, proposals to reform or abolish licensing systems are apt to be resisted by insiders who operate them.

THE ROAD TO REFORM

When considering possible approaches to solving the problem of urban public transport in the United States, it may be worth reflecting on what the problem is. It is not, How can the performance of bus systems be improved? nor, How can public transport subsidies be reduced? Rather, the problem to be solved is, How best can urban travel be improved, particularly for people without ready access to private automobiles? It is a mistake to believe that urban Americans use private transport for reasons of prestige or because of some irrational "love affair with the automobile." Automobiles are used because they enable ordinary people to make more and longer journeys than would be possible by other means: the taxi alternative is expensive (unless shared) and the bus alternative too slow.

The public transport mode required by urban America, therefore, is one that can provide quick door-to-door service in reasonable comfort. It is because the shared taxi and minibus can provide a superior public transport service, and not merely because of low cost, that they have a proven record of success.

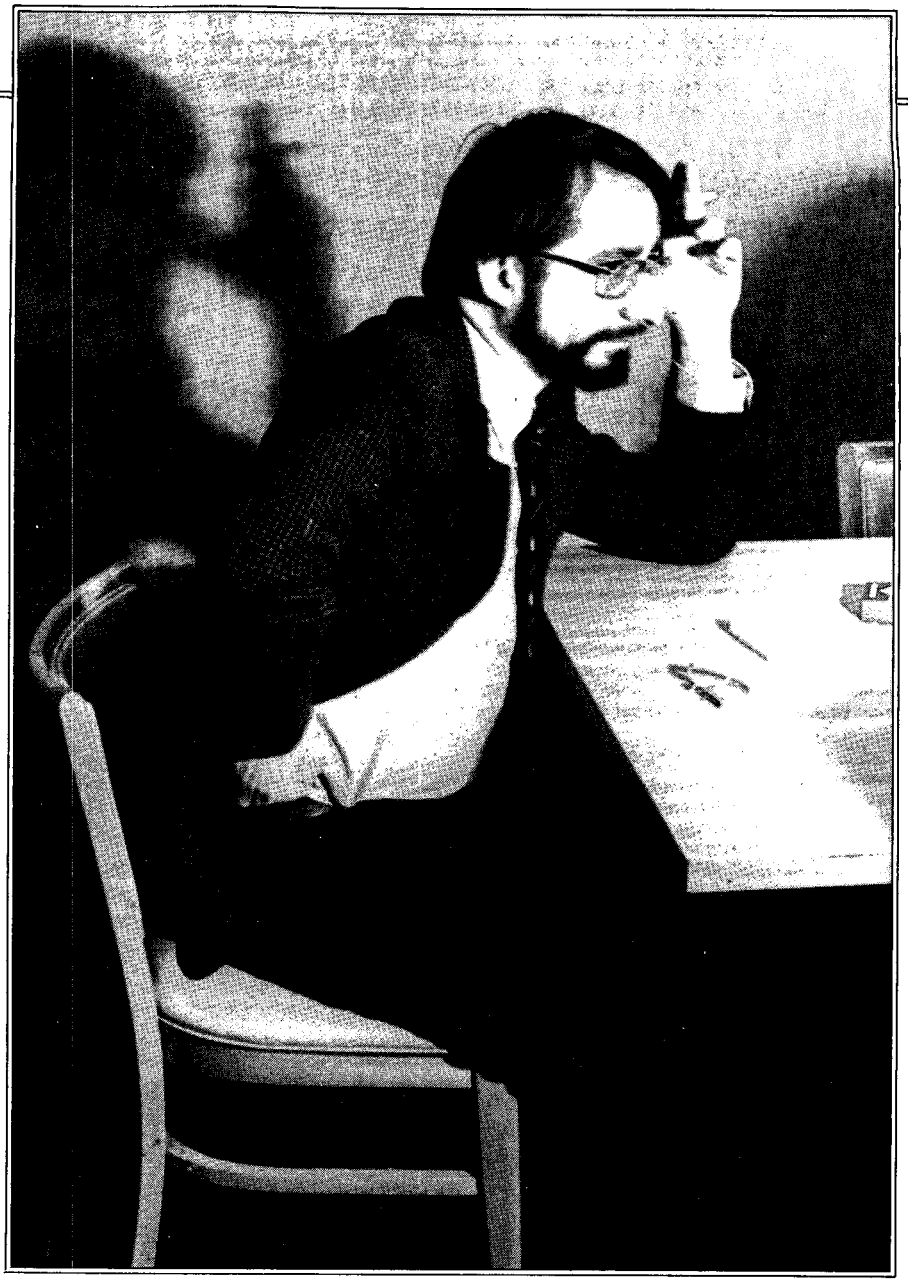
But, it may be said, why cannot public agencies provide such services? The answer may be illustrated by the case of a "dial-a-ride" service introduced some years back in Orange County, California. A local taxi firm was contracted by the county to provide door-to-door shared taxi service at low fares, with a waiting time guaranteed to be less than 30 minutes. The service proved to be so popular that it had to be expanded, but the county did not have the necessary funds. The taxi firm was not allowed to increase the charge, and the only way the service could be continued was by degrading its quality—by increasing the waiting time to one hour, then to two hours, and then to whatever interval was needed to balance supply and demand. The publicly funded service failed because even though it was meeting an obvious need, it did not possess a mechanism for expansion—the capability to raise the price it was charging and then to expand service to the extent that additional costs were covered by additional revenues.

Identifying the problem, while important, is easier than solving it. As the responsibility for licensing transport services in the United States generally rests with county and city governments, there is little that federal and state authorities can do other than to press for deregulation as a condition of financial support. The main action has to be at the local level. The role of local government should generally be permissive. That is, would-be operators of public transport should be allowed to provide services in the same way that would-be shopkeepers are allowed to set up shops.

Some progress is being made. For example, San Diego deregulated its public transport services in 1979 and, in consequence, the number of taxicabs operating there increased from 400 to 700 in two years. Knoxville established a "transportation broker" to develop and promote all forms of public transport. Within a few years it eliminated, by means of legislation, all controls on vanpools and carpools in Tennessee; it enabled third-party insurance to be obtained for vanpools not only in Knoxville but all over the United States; and it got passed a taxi cab ordinance in Knoxville that allowed shared riding. Indianapolis has allowed the introduction of an unsubsidized jitney service, despite opposition from the heavily subsidized local transit service. Meanwhile, organizations such as the Local Government Center and the Council for International Urban Liaison have disseminated information about the advantages of privately owned urban transport services.

As persuasive as the arguments may be for such services in both the developed and developing countries, the task of privatizing urban transport faces daunting political obstacles. Still, it is a task well worth undertaking. ◻

Gabriel Roth, author of Paying for Roads, *is currently working as a transport economist in an international organization based in Washington, D.C.*



France is a country where well-read people become Marxists almost automatically, a country where the Communist Party has been one of the most powerful political parties, a country which experienced the traumatic "events" of May 1968, and the country where Francois Mitterrand swept to power last year, with a pro-Western foreign policy but a domestic policy hardly less statist than the Communists'.

Amid this apparent headlong rush to the Gulag, something astounding occurred in 1978. A book appeared by a Frenchman, arguing loud and clear for a free market and a libertarian society. Bizarre? Futile? Senseless? The book became an overnight bestseller. Suddenly the press was full of reports on the book, interviews with its author, and discussions of the issues it raised. It made free-market liberalism—"neoliberalism" in France—a force to be reckoned with in the country's politics.

The book was translated into six European languages, became a best-seller in Sweden, and had respectable sales everywhere. The book was Demain le capitalisme *(Tomorrow, Capitalism); its author, Henri Lepage, an economic journalist (and one of* REASON*'s foreign correspondents).*

The key to the book's success was that it presented recent developments in American economics as a unified whole that could be fascinating and exciting to ordinary noneconomists if described simply, clearly, and accurately. Now it has had to be translated into English to provide us with the only readable summary of these developments. As with Alexis de Tocqueville, it has required a Frenchman to interpret what is going on in America and make it understandable to Americans.

While touring the United States to promote Tomorrow, Capitalism *(Open Court), Lepage was interviewed for* REASON *by Leonard Liggio and David Ramsay Steele.*

REASON INTERVIEW

Henri Lepage

REASON: You have done more than anyone else to popularize free-market ideas on the European continent. How did you discover these ideas?

LEPAGE: It started with the "May events" of 1968. I remember that I had filled up the tank of my car the day before the general strike began, so I was one of the few people in Paris still to have a car running three weeks later. I was a journalist, and we found we could not get the paper out, so we pro-

Photographs courtesy of the Institute for Humane Studies

duced a single-page newsletter to circulate among friends. We did most of it by phone, calling people to try to find out what was going on. I got talking to a guy who asked me if I would like to come to a meeting, almost a secret meeting. I went there, almost slinking along the walls, like in the Resistance, and we were in fact meeting to discuss resistance. There I met a guy who said something which gave me the first inkling that economic theory could be a formidable way of arguing, a tremendously efficient tool, and a weapon for fighting the Marxist machine.

REASON: So you were opposed to the May events from the start?

LEPAGE: I did not know what to make of them. I was stunned. I felt helpless, completely helpless. I disliked some of the revolutionaries' ideas and sympathized with others. I was raised in a very Gaullist family. My father was a member of the Gaullist party. I was antisocialist and anticommunist, but the free market meant nothing to me. My ideas were formed during the high tide of French planning, and I identified capitalism with a mixed economy, an administered economy. You see, the whole problem which I discovered in '68 was the terrific efficiency of Marxist ideas. I was a well-informed journalist. I had studied economics. And here were these guys, these leftists, who were able to speak out, and I had nothing to oppose them. I was unable to answer them. Since that time, the main thing, deep in my mind, was to find something, some kind of counter-dialectics. I was dreaming of being at least able to argue with them, to fight them at their own level.

REASON: What happened after the May events?

LEPAGE: I worked for a pro-business newspaper. We were supposed to be defending free enterprise—I am not saying the free market; I am saying free enterprise. There again I was always disappointed in the kind of argument that we used, because I found it useless when we were dealing with people on the left. I had many discussions with people on the left, and I knew that the sort of arguments we were using were quite hopeless against them. And then—it's very strange—I learned about Chicago economics from one of these guys.

REASON: You mean from one of the leftists?

LEPAGE: Yes, through a guy whose name is Serge-Christophe Kolm. He was responsible for my writing *Tomorrow, Capitalism.* He was and still is a very far left guy, but very bright, and he had studied at Stanford. He had the idea of economics—not the way economics is taught in France, which is simply not a scientific discipline. He introduced me to Chicago economics and to monetarism, though he is not a monetarist. You see, I was still looking for something like the leftists had: you know, when a guy has something in his mind, something strong, an efficient theory, a background. When you have that staunch kind of reasoning, you can argue. You have a line.

REASON: So you had found what you were looking for?

LEPAGE: Well, Kolm introduced me to monetarism and Milton Friedman. Then came the final step in the whole evolution in my thinking. You see, it was very gradual; it took 10 years. The final step was when I entered the *Institut de l'Entreprise* in '76, two years before the election of '78. Everyone thought the Socialists might win in '78. No one thought they would win in '81. We were given the task of fighting the proposed nationalizations. A big dossier was compiled for arguing against nationalization. I was not part of it—other people did it, and I was afraid of what they did. It was all the same type of mild ideas, you know, traditional values. There was nothing new, only the same words that had been used for 40 years without effect. I asked myself what economics had to say about nationalization. At that time the arguments for nationalization in France were closely connected with the self-management ideology.

REASON: You mean labor-management, or industrial democracy.

LEPAGE: Yes. That was the high time of the self-management idea in France. In my reading on the economics of self-management, I came across the first traces of the property rights thing, the new economic analysis of property rights by people like Evsey Domar and Harold Demsetz. I was excited, because here was something really effective against the self-management ideology, something logical, something scientific. I followed up footnotes, going to all the referred articles. I had a collection of the *American Economic Review* and the *Journal of Political Economy* going back 10 years, and I had never opened them. I never suspected the revolution in economics. Now I went to the *JPE.* I discovered James Buchanan; I discovered Gordon Tullock—all the work on public choice theory being done at the Virginia Polytechnic Institute. I pulled the string, and everything came. So then I went to the United States to find out more.

REASON: Why come to the States?

LEPAGE: I knew the names of these guys. I wanted to see them. But I already had the idea of tying everything together, because when I read all these articles I got the impression of unity. All these people wrote on different branches of economics, and they were all scattered in different universities, but when I looked through their curriculum vitae I discovered they were all connected to Chicago. So I came to verify this intuition that there was a unity. And it was at this time that I discovered libertarianism. A friend of mine, Armand Braun, was at the time the only person in France who had a subscription to REASON. When I read REASON, I found it was very closely connected to these writers. Everything came together at the same time. I really found an articulated scheme of mind, strong enough to sustain a discussion with the left and even to be stronger than them. I found what I was looking for—something stronger, more efficient than Marxism.

REASON: When you met all these American free-market writers, did anything special strike you about them as people? Not their ideas, their personalities...

LEPAGE: Only meeting with Murray Rothbard. That was something unique, unforgettable. I met Rothbard right at the beginning of my trip, and it was in Rothbard's apartment that I first heard the name of Bastiat.

REASON: *What?*

LEPAGE: The first time I ever heard the name Frédéric Bastiat was in Rothbard's apartment in New York. Bastiat has been completely unknown in France for many years. Not one of his writings has been in print. We are now trying to revive interest in Bastiat, Molinari, and other French economists in the classical tradition.

REASON: So we have to thank the May events for *Tomorrow, Capitalism.* These events were spectacular at the time. What has been their long-term impact?

LEPAGE: Their long-term impact has been far more important than their short-term impact: '68 explains '81.

REASON: You mean the election of Mitterrand?

LEPAGE: Yes. After '68, France started building universities everywhere. Between '68 and '75 the number of students almost doubled. This was a very rapid rate of expan-

sion, the highest in Europe. Who could they hire as professors? The people hired as professors had been on the barricades. The universities turn out more professors; they turn out high school teachers. In 10 years you have a complete Marxist takeover of the whole university system and even of secondary schooling.

REASON: But the people who led the May events, people like Daniel Cohn-Bendit, declared themselves to be anti-Marxist. In many ways it was an attempted revolution in defiance of Marxism.

LEPAGE: Well, it was against the Communist Party but not really anti-Marxist. They could not avoid thinking in Marxist terms even when they thought they were anti-Marxist. Even the *Nouveaux Philosophes* ("new philosophers"), for example, who are very anticommunist and believe that they are anti-Marxist, were brought up Marxist. These guys don't know anything about economics, but they cannot help looking at society through Marxist spectacles. What has overwhelmed French society is that people are thinking in sociological terms, and sociology is saturated with Marxism. There is a difference between Marxist dogma and vulgar Marxism. The dominant culture of France today is vulgar Marxism. For example: Galbraith. Galbraith would not be recognized by the Marxists as one of them, but he shares the vulgar Marxist way of thinking.

REASON: Like his TV series, you mean, where he showed the mansions of the rich, saying it took 18 chefs....

LEPAGE: That's right. It is nonanalytical, impressionistic. A few images, a few prejudices. But this is the interesting thing. People think they are just looking at facts, picking up impressions. They think that they don't hold with any dogma. But anyhow, they have a dogma in their mind. People do not know the doctrines that guide their thinking. They are slaves of some kind of theory that they are not aware of. What I am trying to do in France, on the side of neoliberalism [that is, classical liberal, or individualist, in contrast to the American "neoliberalism" of such people as economist Lester Thurow and Sen. Gary Hart], is to try to make people who think they are liberal know exactly what it means to be liberal. Many people think they are liberals, but they are slaves in their thinking to the mixed-economy syndrome, which leads to the opposite of liberalism.

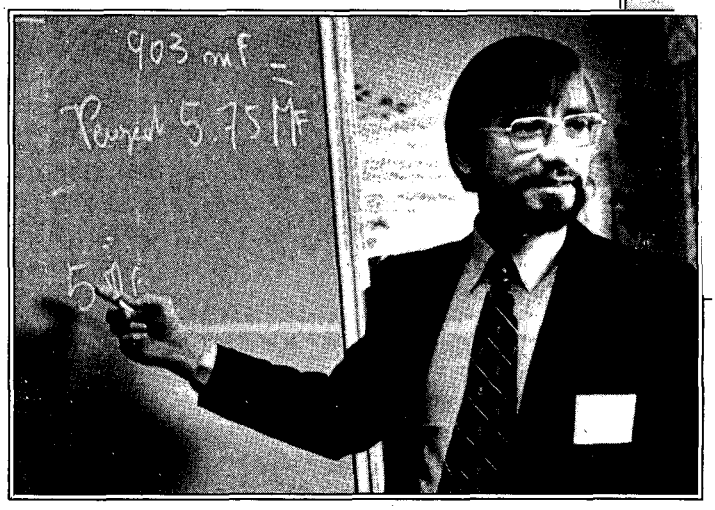
REASON: You mentioned the *Nouveaux Philosophes.* What do you think their impact has been?

LEPAGE: Andre Glucksmann and Bernard-Henri Levy published books in '77. For the first time we have two guys who had been Maoists, revolutionaries, who said bluntly that there was a basic flaw in Marxism, that Marxism led necessarily to the Gulag. The media, right and left, gave them plenty of publicity. The interest in them was amplified by the election of '78. So, it was a fashion supported by the political situation at the time. Now you will find many people saying it was just...

REASON: A flash in the pan?

LEPAGE: A flash in the pan, yes. But I think it's more serious than that. In the '50s there was the existentialism of Sartre and Camus—the ego was in the center of philosophy. In the '60s there was a complete reversal. The '60s was the age of structuralism, which means that the ego was completely taken out of philosophy. Structuralism is allied with Marxism: you are slaves of your own language; the individual doesn't exist; whatever you do is predetermined by the structures of your language. Structuralism was a huge success in philosophy, anthropology, politics—everywhere. The New Philosophers are a revolt against structuralism but also a necessary outcome of structuralism. Once you start to think that language dominates everything, you start questioning your own masters. So these guys pushed the logic of structuralism to its conclusion: everything is language; there is no truth; so what is it worth, the truth that my masters are teaching? It is interesting that here we find, as with Marcuse and all the Frankfurt School, a denial of knowledge. Usually revolution is done on behalf of a supreme knowledge, but here you have revolutionaries separating revolution from philosophy of knowledge. That is interesting.

"I was dreaming of being at least able to argue with them, to fight them at their own level."



The second interesting point is that by saying there is no such thing as knowledge, they refute all philosophies of progress. They begin to put socialism and liberalism on the same footing, saying that socialism and liberalism are the fruit of the same type of rationalistic society. You see, they start out by being anticapitalist and antitruth; then they start to extend their skepticism about truth to socialism.

So this is the trend everywhere in France. Socialism, liberalism—they are all ideologies. We reject all ideologies. What remains? Nothing? God has been dead for a long time. So how do we escape? Well, by getting involved in the fight for human

"What is this idea of human rights? It is the idea that a society exists for the well-being of individuals."

rights. It is human rights which is taking the place of any other kind of ideology. But what is this idea of human rights? It is the rediscovery of the idea that a society exists for the well-being of individuals, which is a very bourgeois type of thing. Okay? So, this is my own interpretation: the *Nouveaux Philosophes* are rediscovering the basic principles of liberalism.

REASON: Are they aware of this?

LEPAGE: No, they are not. But you can see it quite clearly in Levy's latest book, *Le Testament de Dieu.* He is defending Jewish monotheism, but his defense is really the rediscovery that there can be no such thing as a human being or human society without a transcendent moral framework. Levy writes that when you look at history you find that bourgeois society and bourgeois law are the only ones in history able to defend individual freedom. And now when they interview Glucksmann, he has very harsh words against the present Socialist regime. In his recent writings he is campaigning against the guilt complex of the West, the idea that Westerners are guilty of everything.

REASON: Could they become neoliberals, or libertarians?

LEPAGE: It's too bad that they don't know a word of economics. They don't know F.A. Hayek. They don't know us. They don't care about knowing us. I'm sure that if we had the possibility of arguing together we could come onto common ground, but there is not much chance of that. They are very...proud of themselves.

REASON: As you describe these intellectual developments in France, I can't help visualizing scenes from French movies like *Claire's Knee* or *My Night at Maude's*, where the discussion of Pascal goes on at great length. What you say is the American view of French intellectuals, intensely discussing these issues at great length...

LEPAGE: I don't like French philosophy. It's a literary exercise, not a rational exercise. You see, I can read Robert Nozick [*Anarchy, State, and Utopia*] because Nozick is an exercise in rationality. But if you read the *Nouveaux Philosophes* you must know everything about Hegel, everything about Aristotle. The vocabulary is so specialized. I am discovering philosophy, and when I write, I write more and more about philosophy, but I have gotten into it through American libertarianism. At school I never could grasp what philosophy was about. This is one of the things that impresses me about libertarian writing.

REASON: Its readability.

LEPAGE: Yes, for me. It's an exercise in rationality, and it's written clearly.

REASON: Let me ask you about the current political situation in France. I was visiting France in 1955, and I met Pierre Poujade, the antitax militant. In the new government at that time, Mitterrand was justice minister. He immediately violated the law and expelled about half the Poujadist deputies by invalidating their election. The next thing I remember about Mitterrand is that in the early '60s he went to China several times and came back to say how much the West had to learn from Maoism. Now, as you said, in '78 everyone thought the Socialists might win, but we did not expect it in 1981. Why was Mitterrand victorious in 1981?

LEPAGE: First, Mitterrand's victory was due to a shift of 0.4 percent of the electorate. Then, there was the rift between Giscard and Chirac, leader of the Gaullist party. Gaullists would not vote for Giscard. Then, there was the economic situation. What happened was against the public choice theory: we had a prime minister, Barre, who refused to engineer an upturn by reflating before the election. So unemployment was at its height during the election. It was the bottom of the business cycle; things could only go up afterwards. Then there was the intellectual takeover by the Marxists. This complete takeover took only 10 years. Giscard's government kept on managing the economy and did not know what was going on intellectually. They tried to look after the market, but they forgot the market for ideas. But the Marxists knew the importance of the market for ideas. They had read Gramsci.

REASON: Could you explain that?

LEPAGE: Well, I am no expert on Gramsci. He was an Italian Marxist who had a theory of the role played by intellectuals in society. In practical terms, it means that if you want political power you have to convert the intellectuals, because they exercise what Gramsci called a "hegemony" over the society.

REASON: Rather like F.A. Hayek's view of intellectuals.

LEPAGE: In practical terms, yes.

REASON: And how did this operate in France?

LEPAGE: The Marxists who were hired as professors during the rapid expansion of the universities were all under 40. They will be in control for another 40 years. If you control

education, you have a great influence on the media. If you are a journalist, you must be able to write rapidly on any kind of topic. How can you do it? Only by having a pile of documents, reports, and that kind of thing. You pull some documents off the pile, and what do you find? You have 10 documents, and 7 or 8 of them are Marxist in style, maybe 2 of them by neoclassical researchers. So the media are borne along on the intellectual wave. I only give this as one illustration. The intellectuals exert a continuous pressure on the thinking of the mass of people.

REASON: So what can be done about this now?

LEPAGE: We have to take the offensive in the market for ideas. And we are able to do it in France because we have efficient tools. Our tools are more efficient than Marxism. In fact, they are more Marxist than Marxism.

REASON: What do you mean by that?

LEPAGE: If you are speaking to people who were brought up Marxist but are dissatisfied with Marxism, like most thinking people in France, and you bring them the public-choice economics, Hayek, and the economics of property rights, they have no difficulty in understanding it. You don't set out to convert them, merely to get them into the intellectual game of understanding social institutions. They take to it immediately. It's easier to deal with these guys than with the traditional liberals, for whom liberalism is a system of values, a kind of religion which they adhere to without understanding why. I would even say that Marxism was a scientific advance compared to classical and Marshallian economics, because it dealt with issues which they increasingly ignored.

REASON: What kind of issues?

LEPAGE: Social institutions—Marxism tried to explain social institutions.

REASON: But Marx was following liberal predecessors.

LEPAGE: Yes, but then mainstream economics was refined into something very technical. Marshallian economics was a regression in the history of ideas. We left the Marxists with the monopoly of explaining social institutions.

REASON: By default.

LEPAGE: By default, yes. The liberals handcuffed themselves. They forgot that the results of the invisible hand can come through only in a certain setting of property rights. The institutional setting was taken as a datum. And Marxism kept alive the tradition of political economics. But now we have something, a superior paradigm, to analyze social institutions, and we can start to fight the Marxists on their own ground.

REASON: And what success are you having now?

LEPAGE: We have reached the stage where they have to acknowledge the existence of our ideas. A few years ago they would not acknowledge the existence of free-market liberalism or even neoclassical economics. That was just...scrap. Now they know there is something there. They respect its strength. They know they have to deal with it. And that's very important. It's the first stage. I can also report that some of the Marxists are using our tools. The Marxists are of course very concerned with problems of bureaucracy. So now we have some very far left guys doing research projects on bureaucracy using the approach of the Virginia Polytechnic Institute and public choice theory. I don't care. I welcome it. And I believe that there is more of a market for our ideas on the left than on the right.

REASON: But although you say that the market lies on the left, you seem to identify yourself with Giscard's party.

LEPAGE: By opposing Giscard fully, we would have been, in effect, voting for Mitterrand. Between two bads, I still prefer Giscard d'Estaing to Mitterrand. Giscard is not a true liberal, more of a social democrat. Barre was better.

REASON: So you work mainly within the Giscardian party?

LEPAGE: The French electoral system is more or less closed to any new small party. There is a small group of young politicians within the Giscard party who have taken up a number of neoliberal ideas. Now that they are in opposition they are saying things they could not say when they were in the majority.

REASON: What sort of things?

LEPAGE: They have attacked the state monopoly of broadcasting, for example, and demanded free radio. We tried to push this before the election, but the people around Giscard were not happy with it.

REASON: But Giscard's party has the most people who sympathize with the free market to some extent?

LEPAGE: Yes. There are a few people in the Gaullist party, but that is more a traditional right. They accept state economic planning, that sort of thing.

REASON: After the election of 1978 the Giscardian party seemed to decide that they needed some sort of ideology.

LEPAGE: Yes, but you don't devise an ideology overnight. Politicians have to rely on what exists. So there is a danger that the Giscard party will be influenced by the French New Right. Some time ago, the New Right started imitating the Gramscian strategy of the left. They have taken over the leftist strategy of organizing a number of study groups, intellectual circles, which are all independent, fitted for certain segments of the population. For example, the *Club de l'Horloge* attracts the public service. And you find all the threads from these circles coming back to one controlling centre. If you look at their ideas, they are defending capitalism, defending private corporations, defending entrepreneurs as the aristocratic elite of modern times. But when you read on, they are saying that the market is all right as long as there is strong state planning. They defend autarky, national self-sufficiency, and write about liberalism as the decadence of the Western world. They advocate the idea of society as an organic scheme. You have the heart, the brain, that kind of thing. It's a holistic view of society. Now if you translate all this into Italian or Spanish, and say to an Italian or a Spaniard, "What is it, an organic society?" they will know at once exactly what it means.

REASON: Fascism.

LEPAGE: That is it. The big problem for us is that these guys are presenting themselves as defending capitalism, and we are all fighting the same enemy, socialism. So everybody flocks to them.

REASON: But why are they so successful?

LEPAGE: They formed their organizations as early as 1969. Now they have an instrument. They have the organization. They have access to the media. They have their own publications. And it's very dangerous, because people don't spot what they are. They try to amalgamate all the antisocialist forces, with them as the vanguard. They are trying to trap us. And they are getting influence. One of the main advisors of Chirac is one of them. Chirac doesn't know it, but there is already a considerable influence of the New Right on the Gaullist party.

REASON: Finally, what are the prospects for the French Communist Party? The impression we get from outside France is that its decline is inevitable.

LEPAGE: That is very optimistic. The Communists now hold four major ministerial positions in the government, including transportation. They are in a position to immobilize the country. As people become disenchanted with Mitterrand, the Communists will be tempted to leave the government. Because of the possibility that they might leave, Mitterrand will make more and more concessions to them. Mitterrand believes he can neutralize the Communists, but he may become their hostage. Many people think the evolution of French politics must now be toward the center, but I foresee a radicalization and a polarization. ◻

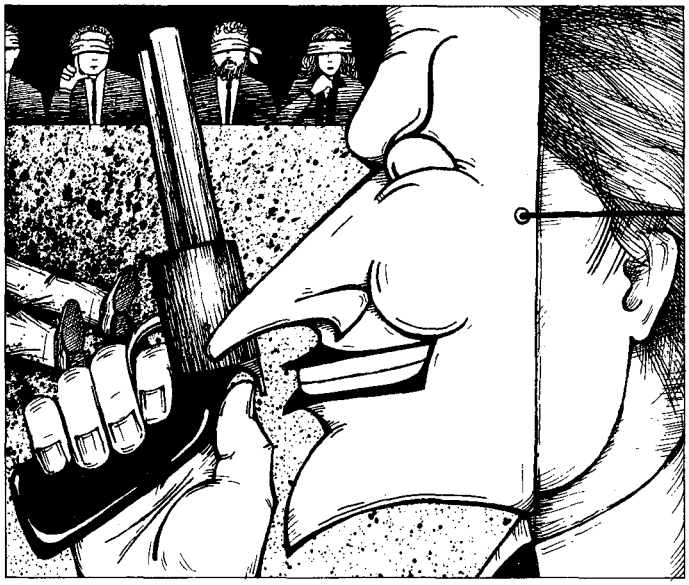
VIEWPOINT

The Insanity Offense

BY JAMES DALE DAVIDSON

This is an essay about lunacy—that of a junta and a jury. I write on the evening that John Hinckley has been declared innocent of a crime millions saw him commit on television. The same news report brings an account of more raving and ranting from Buenos Aires. Hence this small complaint about a world convulsed with madness. Not grand, eloquent madness of "the daring pilots in extremity," which led Dryden to write that "great wits are sure to madness near alli'd." I write instead about a kind of whimpering, absent-minded irresponsibility.

It is trigger-happy....fantastic...and awash in body juices. Both the Argentine generals and young Mr. Hinckley share, to a surprising degree, the same methods and purpose. Both sought to shoot their way onto the stage of history. And in a world where success is often measured by media exposure, by inches of newsprint and minutes of TV time, each has succeeded. Both pulled the trigger complaisantly. The hurt they caused was others'. They filled scrapbooks with clippings in which they denied all responsibility.



Hinckley blames the Secret Service, the Congress for not passing tough gun control laws, his psychiatrist, his parents. Galtieri blames America, technology, unfavorable winds. They are both snivelers whose behavior is rewarded by the world in which we live.

Galtieri had his way in a system in which the forms of law have been conveniently set aside. In his Argentina, it has for many years been true that the citizen has had no right that it was convenient for the government to abrogate. The Argentine version of Hinckley could hardly depend upon a trial in which to play upon the niceties of an insanity defense. He would have been lucky to have had a trial at all—or even an indictment. Tens of thousands of people have "disappeared," dropped from airplanes or dumped in rivers or out at sea; people's lives ended like clichés from a police report—last seen wearing...."

Perhaps that sort of environment lends itself to insanity in a larger sense, in which whole cities full of people can lose touch with reality. The *Wall Street Journal* reported during the war that this nation, where rumors run rampant, was feasting on madcap hopes and illusions. Argentines on the street imagined that their troops had sunk the liner *Canberra* with 3,000 British troops lost. The owner of an art gallery was quoted, "We hit them from a Boeing 747 that we converted into a bomber." The bombs were said to have been dropped manually. Why not? The *QEII* had been sunk and hit. The *HMS Hermes* had been destroyed. The official lies made the common hallucinations credible by comparison.

In America, we have institutional protections that thus far have spared us from the unhappy experience of mass "disappearances." Persecution, at its worst, seems to involve dirty tricks or tax audits. Defendants are indicted. They have trials. The forms of law become so intricate that practically any defendant with a clever lawyer and a sufficiently large purse can shirk responsibility for real crimes. In contrast to the condition in Argentina, where decisive penalties are imposed upon individuals who have done nothing or whose behavior is not criminal, our system seems incapable of imposing decisive penalties even upon individuals who are unambiguously the perpetrators of violent crimes.

The decision of the Hinckley jury shows that the "common sense" of ordinary people is indeed a weak foundation for controlling the fantastic and the undesirable. Just as there seems to have been no "commonsense" reaction to the excesses of Argentine lawlessness, so there seems to have been no commonsense protection from the excesses of formality in law. In neither case do ordinary people appear to have had much success in penetrating the received mumbo-jumbo.

It may be that in the months and years to come a wholesome reaction will set in in both cases. The Argentines will pause to examine the bruises inflicted by their exercise in national chest thumping, and a more concerted effort may be made in the United States to reform the already discredited insanity defense. My guess, however, is that such a reaction, where it takes place, will come to very little. Argentina will still be a society crazy with lawlessness. America shares some of the same symptoms—crazy results, but in our case brought about by obsessive devotion to forms of law.

Neither society will prosper as it could until it finds the moorings needed to encourage humane and predictable behavior. For that to happen, a greater acceptance of responsibility is needed all around. Crimes of the state should be labeled as crimes, no less odious than those of individuals. Assignment of guilt for both should be clear-cut, not muddled. Punishment should be swift and sure. Only under such conditions, which reward responsible behavior and impose heavy costs upon the irresponsible, would we have any reason to expect that what we loosely, but meaningfully, call common sense would be more stalwart against what we loosely, but meaningfully, call the crazy.

Jim Davidson is founder and chairman of the National Taxpayers Union and author of The Squeeze.

Illustration by Sandra Higashi

The Futures Options

BY STEVEN K. BECKNER

To the dismay of many a commodity broker and trader, disinflation and disaffection have reduced trading volume on American futures markets since the halcyon days of the late '70s. We are now witnessing a period of consolidation, but more important, one of innovation. As less-successful contracts are weeded out, a more-permissive Commodity Futures Trading Commission (CFTC) is allowing the development of new futures instruments, such as interest rate futures and stock index futures (see Money, Aug.) that will strengthen the "commodity" markets and in turn the nation's economic and financial infrastructure. Now, the CFTC is about to give the go-ahead for an exciting new speculative and hedging vehicle—options on futures contracts.

Since a futures contract enables one, in effect, to fix the price at which one may buy or sell a commodity in the future, what does an *option* on a futures contract mean? In return for a "premium," an option will entitle (but not oblige) the investor to buy or sell a futures contract at a specified "striking price" within a certain period of time.

The various options will generally be traded for expiration months corresponding to the delivery periods of the futures contracts on which they are written. At any given time, options with four expiration dates will be trading. For each month's option, several different striking prices will be established—above, at, and below the going futures price. These striking prices will be quoted in the same terms as the futures contract and will be changed as the futures price changes.

There are basically two types of options, of course: "calls," which entitle one to *buy* at a certain price within a certain period, and "puts," which entitle one to *sell* at a certain price within a certain period. Both types will be offered (for different expiration dates and striking prices).

The value of the option—the "premium"—will be set by the market and will be largely determined by the relation of the striking price to the actual futures price and by the distance from the expiration date. An option that is "in the money" (above the futures price in the case of a call, below the futures price in the case of a put) will obviously cost more than one that is "out of the money." The option buyer also pays for time, with the premium rising as the expiration date looms into the future.

Since, as with futures contracts, it takes two to make a trade, both put and call options can be either bought or sold. The option seller receives the premium paid by the option buyer. Within this four-way breakdown are an endless number of options trading strategies.

For the buyer (though not always for the seller, or "writer") of puts and calls, the beauty of options is the prospect of highly leveraged profits with finite risk. To take a very simple example, suppose you're bullish on the price of sugar come January, when sugar is trading at 12 cents per pound. You buy a July sugar option with an "at the money" striking price of 12 cents per pound.

The Coffee Sugar & Cocoa Exchange hypothesizes a $1,000 premium for this example. If, after a few months, sugar has risen to 15 cents per pound, your option may have risen in value to $3,360 (3 cents × 112,000 pounds).

You would then have several choices. You could take your profit by selling an offsetting July call. You could continue to hold the option in the hope that further price rises would make the option even more valuable—remembering that options tend to cheapen as the expiration date approaches. Or, you could even exercise the call, acquiring a long position in July sugar futures. If you were wrong about sugar and the price declined, the most you could lose would be the original $1,000 premium, and you could probably salvage some of that outlay, since options usually have some value until the day of expiration.

If you're bearish on a commodity, you might instead buy a put, entitling you to sell at a given price. If you buy a put entitling you to sell, say, July sugar at 12 cents and it goes to 9 cents sometime before expiration, your option will roughly reflect the value of that three-cent move ($3,360).

Just as puts and calls can be bought for limited-risk speculation, so they can be used for low-cost hedging. If one has a long position in futures, it might make sense to buy a put in the same futures contract at or above your entry price. If the price of the commodity you went long on moves up, your futures profit will have been diminished by the cost of the option premium, but if the market moves against your long futures position, then you'll be able to sell at little or no loss other than your options premium. A good insurance policy! Likewise, if you are short futures, you can hedge by buying a call.

An alternative to the buying of options for hedging is *writing* "covered" options. Options writing is actually a different ballgame and can be highly risky, but when "covered" by a futures position, it can be both safe and profitable. Writing a call is not a substitute for buying a put for the investor who is long futures, nor is writing a put a substitute for buying a call for the short futures trader. Instead, it is a means of enhancing one's futures profits, under the right conditions. For example, if you are about to go long or are already long a commodity in the futures market, the writing of a call can effectively raise your futures price (if prices go up) and cushion your losses if prices fall.

One need not have a futures position to write options any more than to buy options. One can write uncovered, or "naked," calls or puts on futures contracts either to make premium income or to place an option spread. But, unlike covered option writing, the potential risks here are as great as in futures themselves, minus only the premium income.

Although options are correctly reputed to be a limited-risk investment, this is really true only of *buying* options. When writing options, if the price moves adversely, you would have to put up additional margin money.

Yes, there are some risks, but they are mild compared to the unbridled futures markets—and milder still compared to the shrieks of terror emitted by the congressional and bureaucratic opponents of options. More important, options will make the futures markets safer, more sophisticated, and stronger.

Steven Beckner is a financial reporter and columnist for the Washington Times *and the author of* The Hard Money Book.

More Smart Pills

BY DURK PEARSON AND SANDY SHAW

There are over a dozen substances, including both nutrients and certain prescription drugs, that have been shown to increase intelligence in animals and man. When we refer to intelligence, we are talking about a wide range of cognitive abilities, including information processing of various types and memory. A particular intelligence-increasing substance does not increase the entire range of intelligence but only certain specific aspects of it. Increasing human intelligence is no longer simply science fiction. It is fact.

In last month's column, we discussed choline, lecithin, and Deanol. At the proper dosages, these substances have all been shown to increase human intelligence, particularly memory. In this column, we discuss the amino acid nutrients *phenylalanine* and *tyrosine.*

Norepinephrine is an important brain chemical used by many brain cells to stimulate each other. It appears to play an important role in learning and memory. Learning can be blocked in experimental animals by administering drugs that selectively deplete norepinephrine in the brain. In one study, a drug was given to rats to prevent their brains from making norepinephrine. (Norepinephrine is also called noradrenaline, the brain's version of adrenaline.) These rats were able to retain a newly learned response for only a short time. Injection of norepinephrine into their brains restored the long-term retention of the learned response.

Phenylalanine and tyrosine, amino acids, are used by the brain to manufacture norepinephrine. Many popular stimulant drugs—including cocaine, amphetamines, Ritalin®, and magnesium pemoline—initially increase norepinephrine levels but prevent the brain cells that secrete norepinephrine from recycling it, resulting eventually in the depletion of norepinephrine. Depression and difficulties in learning and memory then occur.

Depression is a common life event that has serious side effects both on mental function and survival itself. For example, in a study of 4,500 British widowers 55 years of age or older, 213 died during the first six months after the death of their wife. This is 40 percent higher than would be expected in this age group. After the initial six-month surge, the death rate returned to normal. In another study, investigators found a higher level of cervical cancer developing in women who had experienced a significant emotional loss in the previous six months.

Two thousand years ago, the father of modern medicine, the Greek physician Galen, observed that habitually melancholy women had a higher incidence of breast cancer than women who were emotionally "up." Biological research scientists have found that the body's immune system—the mechanisms that identify and kill invaders such as bacteria, viruses, and cancer cells and destroy atherosclerotic plaques—decreases in effectiveness during periods of depression. Thus, depressed persons are more likely to contract serious illnesses, including cancer, or even to die.

The perception of helplessness or being out of control of one's life can lead to serious depression and an inability to act in both animals and humans. Experimental animals can be made "helpless" (unable to act) by subjecting them to inescapable, mild electric shock. Helpless animals subsequently exposed to escapable shock often are unable to simply move away a short distance to escape the shock.

An important finding of scientists has been an association of helpless depressed behavior and mental performance in animals with a decrease in brain norepinephrine. Treatment of such animals with nutrients that stimulate the brain to make norepinephrine can prevent the helplessness, depression, and inability to act that normally follows norepinephrine depletion. When you feel drained of energy by long, hard, stressful mental work, you may well be suffering from norepinephrine depletion.

Phenylalanine, an amino acid found in such foods as cheese, milk, eggs, and meats, is used by the brain to make norepinephrine. It is effective in blocking the development of helplessness in the type of animal experiments described. In humans, phenylalanine has been used to significantly improve motivation (ability to act) and subsequent intellectual performance. In addition, phenylalanine is an extremely powerful antidepressive nutrient that has been used successfully to treat people for a variety of depression problems, such as that which might result from cocaine or amphetamine abuse (these drugs deplete norepinephrine), schizophrenic depression, etc. Effective doses were in the 100-500 milligram per day range for a period of two weeks.

Since phenylalanine in large dosages (usually larger than that recommended here) can increase blood pressure, it is wise for those with hypertension to use this nutrient under the supervision of their physician and to take their own blood pressure on a daily basis for a period of time to ascertain any changes. (We recommend such a procedure regardless of whether or not you have a problem or you use phenylalanine, since blood pressure is often a barometer of biochemical changes in the body that can then be determined and corrected.)

Tyrosine is also a nutrient precursor to norepinephrine and has also been shown to be an effective antidepressant in humans at similar doses to that of phenylalanine. In preliminary experiments, tyrosine appears to have a normalizing effect on blood pressure, reducing it when too high and increasing it when too low. Nevertheless, hypertension patients should follow the same precautions as for phenylalanine. *Warning:* Do not use either phenylalanine or tyrosine with MAO (monamine oxidase) inhibitor antidepressants, since this combination can cause extreme hypertension!

For best results, the psychoactive amino acids should be taken on an empty stomach to avoid the competition for transport sites that carry amino acids across the blood-brain barrier into the brain. Start with a small initial dose, such as 50 milligrams per day. *Vitamins B-6* and *C* are required for the conversion of these nutrient precursors to norepinephrine.

(Continued on p. 57)

We invite questions of general interest from our readers. Send your query along to REASON Health & Welfare, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

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SPOTLIGHT

Thinking Tutor

BY PATRICK COX

Are you thinking now? According to Edward de Bono, you probably aren't. The world's foremost advocate of the development of thinking skills, de Bono says that most people do very little real thinking.

De Bono has spent a lot of time trying to jog people out of familiar, habitual patterns of thought into more productive avenues of intellectual exploration. The author of 20 books on thinking techniques, he invented the term *lateral thinking*—now an entry in the *Oxford English Dictionary*. The idea is that most problems can be solved better by avoiding the obstacles than by tackling them head on. He teaches a number of mental tricks designed to concentrate the analytical powers of the mind on improving the situation rather than solving a problem.

As a consultant, de Bono flies around the world to meet with large corporations and governments when they need a dose of his lateral thinking. Prudential, Unilever, Procter & Gamble, and 3M are a few of the groups that have enlisted his aid when they could not see their way out of dilemmas. IBM is so enamored of his skills that he has been asked to teach them to its top management.

De Bono's books have been on best-seller lists all around the world. He likes to point out that his *New Think* sold 400,000 hard-cover copies just in Japan—better, per capita, than *Love Story* in the United States. He reports that 30 percent of the high schools in Great Britain, as well as about 6,000 other schools in various countries, now use his thinking courses. According to the *Sunday Times* of London, lateral thinking has become "the biggest craze since Scrabble." He has two BBC television series to his credit: one, a 13-part presentation, *The Greatest Thinkers*; the other, a 10-part series aptly named *Dr. de Bono's Course on Thinking*.

Most Americans are still more interested in Scrabble than in lateral thinking, but de Bono intends to change that. An American branch of his CORT (Cognitive Research Trust) Foundation has been set up in New York under the leadership of the world's first Ph.D. in lateral thinking, Michael de Saint-Arnaud. Teachers of the CORT methods are appearing all over the United States.

De Bono is an aggressive marketer of his ideas. His critics have called his organization the "McDonald's of thinking," but de Bono does not take great offense. In fact, he emphasizes the importance of a sense of humor in effective thinking.

And many of de Bono's solutions to traditional problems are funny. Once he was brought in to do some lateral thinking about a problem with a corporation's New York skyscraper, and his unusual solution was soon taken up by architects of other buildings. The problem was insufficient elevator service for the large building, whose owners were being forced to consider a prohibitively expensive new elevator system. De Bono's quick answer was to install mirrors around the elevators. It may sound funny, but it worked. Passengers either watched themselves or others, and there were no more complaints about long lines and crowded elevators.

EDWARD DE BONO

Many of de Bono's solutions are not so readily accepted, though. He attributes it to a lack of lateral thinking, to people being institutionalized on the inside. For instance, former mayor of New York John Lindsay once asked de Bono's help with crime and housing problems. His recommendations—that street gangs be given rewards when crime dropped in their turf and that residential property taxes be eliminated—were never implemented.

Lateral thinking does yield interesting results in those who master the techniques. A repertory of 60 basic "tools" are taught to students. They include "PMI"—listing pluses, minuses, and interesting points in a situation—and "FIP"—determining first important priorities.

A group of 13-year-olds in Venezuela, where the CORT system is being taught at all levels of school and the military, were asked to use their lateral thinking skills to come up with a way to improve that country's low agricultural productivity. After an hour of consultation among themselves, they decided that if the government would stop fixing prices and farmers took part in more direct marketing, the availability of profits would take care of the problem on its own.

De Bono has been described in the *Christian Science Monitor* as "handsome and athletic...with a patrician air of elegance. He is warm, modest, highly articulate, and witty." It is obvious that he has charisma. "Thinking" REASON readers are probably wondering whether he is just another salesman jumping on the "self-help" bandwagon. His credentials would indicate otherwise. Born in Malta, he earned an M.D. there. He was a Rhodes scholar at Oxford and earned a Ph.D. there and at Cambridge in psychology. He has served on the faculties of Oxford, London, and Harvard Universities. He is presently professor of investigative medicine at Cambridge.

De Bono emphasizes that the most valuable resource the world has is people and that it is time to make sure that people have the freedom to think for themselves. He doesn't get involved in political or ideological debates. But according to Saint-Arnaud, de Bono's disciple in the United States, the CORT belief is that as communications technology improves and people acquire the tools to think for themselves, systems such as democracy, socialism, and communism—where a few do the thinking for the many, who are, if anything, asked simply to vote on other people's ideas—will be replaced by societies of individuals who think for themselves.

De Bono simply notes: "If you *don't* think for yourself, someone else *will* think for you."

Patrick Cox is a free-lance writer.

arts & letters

MOVIES

Reviewed by John Hospers

E.T.

In *Close Encounters of the Third Kind*, a child first sees a space vehicle approaching through the clouds and is the first to go with the denizens of another planet, to be returned in the final scene. *E.T.* (Extra Terrestrial) is a development of that final scene, only here the child from outer space (E.T.) is left on earth when the space-ship leaves, to be found by a 10-year-old boy. This is a simple and affecting boy-and-dog story, except that instead of a dog we have a friendly extraterrestrial with whom the earth-children learn to communicate and for whom they come to feel an abiding affection. By the time the boy, thinking E.T. is dying, says, "I love you, E.T.," more than half the audience is in tears.

E.T.'s friends watch the spaceship depart

The tremendous popularity of this film is based not on the special effects but on solidly built characterizations: the boy, his brothers and sister, his mother. We empathize with them before the extraterrestrial incidents occur, and there develops an irresistible blend of love, pathos, and humor in their interaction. Every child loves it, and every adult, having once been a child, responds equally. The film speaks to the child in everyone, in ways that strike the emotional jugular. Moreover, unlike *Alien* and *The Thing*, in which the extraterrestrial creatures are hostile, in this film they are benevolent, thus creating the impression of a benevolent universe for which, it seems, audiences are searching in these days of downbeat films. This benevolence, together with the appeal to childhood innocence, are the secrets of Steven Spielberg's deserved success in this endearing film.

Tron

Quite different from *E.T.* is the Disney film *Tron*, in which the visual effects, produced largely by computer, are much more extraordinary. But the film is not engaging because the characters are hardly people (only one, played by Jeff Bridges, acts as a real live human being might act). There is very little in this film which would make a viewer care at all how things turned out. And thus, quite unlike *E.T.*, this film is as cold as ice.

In fairness it should be added that technically this is quite a different film from anything that has gone before, and so is its central idea, the computer expert who gets caught in a contest of life and death in the very computer system for whose mastery he is vying with other experts. To computer aficionados the fascination of this theme will more than make up for the comparative lack of human interest in the story.

Mephisto

It is a joy to see a film that has both impeccable structure and important content. Such a work is *Mephisto*, whose title derives from Mephistopheles in Goethe's *Faust* and Johann Strauss's opera *Mephisto*, the music of which is the central theme of the musical background. Any film produced in Hungary since 1956 is of course heavily subject to Soviet censorship, but the film makers get by with what they do because the villains are the Nazis rather than the Soviets. The moral of the film, however, applies to all dictatorships, and it is not difficult for the audience to make the mental extension.

The subject of the film is the role of the creative artist in a nation that does not permit artistic (or any other) freedom. Is art "above politics," so that the arts, even though crippled by censorship, should be sustained at any cost, thus justifying the compromises the artist has to make to keep his profession alive under difficult conditions? Or should the artist in such circumstances renounce his art, even at the risk of his life, until such time as the dictatorship is overthrown? This film concerns the attempt of one artist to hold the former position ("I'm nonpolitical, I just want to practice my art") and finds that the compromises he must make become more and more severe until, as the vise tightens, even he cannot stomach what he is required to do. The story rises in cumulative power from scene to scene until the end.

A fine description of Richard Strauss's attempt to cooperate with the Nazis, until he insisted on Stefan Zweig (a Jew) remaining as his librettist, is to be found in Zweig's autobiography, *The World of Yesterday*. The kind of situation the book describes is powerfully dramatized in this film.

John Hospers is a professor of philosophy at the University of Southern California. Among his recent books is Understanding the Arts *(Prentice-Hall).*

THEATER

Beyond the Color Line

By David Brudnoy

Meeting in convention in Boston early in July, the National Association for the Advancement of Colored People heard from its leadership of a possible selective boycott of Hollywood movies, this because of what was termed the inadequate use of black talent in contemporary film. The criticism of the movie industry has merit. In July, in these pages, I wrote of the stage play *Annie* and mentioned that the movie version had then just appeared; I didn't mention the oddity within *Annie*, the movie, of portraying a huge New York City orphanage, packed to the rafters with scruffy little girls, of whom none was black. Could it be that no Negro child turned up for an audition as an extra in the film?

Whatever can and really should be said about the insufficient employment of black talent in the movies, rather a different story applies to the American theater. Along with the very recent *Nine*, the pinnacle of musical success in Gotham these days has been attained by *Dreamgirls*, which opened first in Boston, then took New York by storm, and will begin its peregrination across America in short order. *Dreamgirls* is the most notable but by no means the only tremendously successful theatrical offering dealing with blacks, starring blacks, and presenting an image of life from what might, without exaggeration or condescension, be called a black perspective.

Often people say that the audience for movies is representative of, if not the entire age spectrum, then certainly the entire class spectrum among younger Americans. Theater, on the other hand, is said to remain the province of more affluent and older people. To some extent this may well account for the fact that an overwhelmingly white audience for expensive theatrical presentations has no problem "relating" to shows about nonwhites, whereas the mass audience for movies remains very stratified.

The interest in the theater in black themes is at what may well be its height in modern times, and the acceptance of black performers by overwhelmingly white audiences is broad, deep, and, I think, genuine. The just-retired dean of American theater critics, Elliot Norton, who wrote most recently for the *Boston Herald American*, observed in his last week of a reviewing career that spanned more than a half century that "race is no barrier for Broadway's hits," pointing to *Sophisticated Ladies* and *Harold and the Boys* and Lena Horne's outstandingly popular one-woman show, as well as to *Dreamgirls*, to make his point.

Mr. Norton wrote: "In the theaters of Boston and New York, black writers and performers are winning the awards and the public favor that show their artistic maturity and commercial acuity. Shows by and starring blacks have moved well beyond the color line." What applies to Boston and New York applies as well to urban America in general. Norton believes, and his belief is shared by most of his critic brethren, that there is much reason to rejoice at this development.

Not everybody shares that viewpoint. Mr. Gerald Bordman, an excellent student of the musical theater, author of *American Musical Theater: A Chronicle*; *Jerome Kern, His Life and Music*; *American Operetta: From H.M.S. Pinafore to Sweeney Todd*; and this year, of *Days to Be Happy, Years to Be Sad: The Life and Music of Vincent Youmans*, complained recently on my radio program of what he termed the emphasis in current American theatrical ventures on the woes of "cripples, coloreds, and queers." That sounds harsher than Mr. Bordman meant, and he was quick to explain that he has nothing against any of those groups, whether alliteratively named or more politely described, but, rather, that he objects to the turn away in American theater from attention to the rich, the well-born (and he didn't add, as Hamilton did, the able, but that was implied).

Bordman gave dozens of examples: *Bent*: homosexuals under Nazism; *West Side Waltz*: aging spinsters and a freaky hippie girl; *Mass Appeal*: bisexuality in the clergy; *A Chorus Line*: guilt-ridden gays, upward-striving ethnics, pushy blacks; *Children of a Lesser God*: the deaf; *Fifth of July*: crippled homosexual; *Dreamgirls*: Motown black singers and their cynical boyfriends and managers; and on and on. Mr. Bordman has an encyclopedic knowledge of and a romantic attachment to what he considers the good old days of the American stage, and though the brief capsules attached to the shows mentioned just above are mine, not his, they convey the flavor of his evaluation of them.

He gives a reason for what he sees as this special emphasis on characterizations and situations that play to travails and tell of those who are not of the favored classes. His reason: left-wing critics, left-wing playwrights, left-wing musicians. And who knows? There may be something to his evaluation.

The question remaining, then, is this, Are the audiences also left-wing? If so—and I only put the question, not assenting to the implied answer—then are the movies and the theater destined for even further divorce? The question arises because the movies are increasingly "conservative" in theme, with some, like *Conan the Barbarian*, to some extent representing what might even be called a crypto-fascist orientation. At the same time the American theater, both in New York and in the regional road shows, gives no indication of veering much from its two mainstays, the tried-and-true hits in revival and the splashy newer material dwelling, as Bordman perhaps unkindly puts it, and Norton enthusiastically describes it, on those long left out of the American theatrical consciousness.

Contributing editor David Brudnoy is arts critic for WNEV-TV (CBS) and WRKO-AM (ABC) in Boston, and he hosts a nightly talk program on WRKO and writes on film for the Boston Herald American. *His thrice-weekly newspaper column is syndicated nationally.*

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BOOKS

The Antitrust Fraud

Antitrust and Monopoly.
By Dominick T. Armentano.
New York, N.Y.: John Wiley & Sons.
1982. 292 pp. $22.95/$12.95.

Reviewed by Michael McMenamin

Antitrust is a lot like *Alice in Wonderland*, and US District Court Judge David Edelstein, the presiding judge in the government's massive antitrust case against IBM, reacted to the Reagan administration's outright dismissal of the 12-year-old action in January 1982 with all of the grace and dignity of the Red Queen.

Initially, according to the *New York Times*, he "angrily chastised" the antitrust division attorneys who appeared before him in his New York courtroom because their boss, antitrust division chief William Baxter, did not come up

from Washington and personally appear before him to announce the government's decision. Baxter, of course, was in Washington that day announcing the antitrust settlement with AT&T that provided for the dismemberment of the country's largest government-granted monopoly. Subsequently, Judge Edelstein launched a personal vendetta against Baxter, calling for a congressional investigation and charging Baxter with conflict of interest because, while a Stanford law professor, he briefly served as a consultant to IBM as an expert economic witness in a private case.

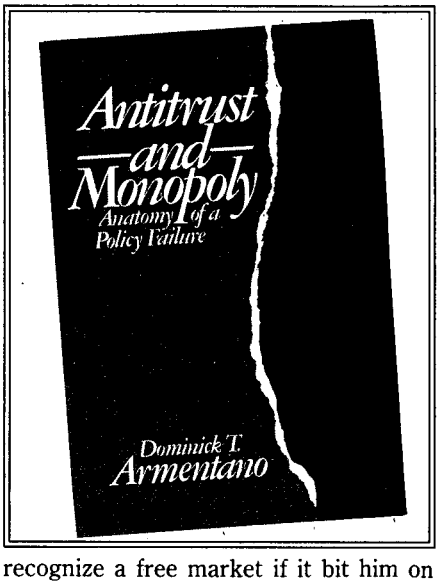
It was a standard of ethical conduct Judge Edelstein did not apply to himself. At one point during the case, he appointed a special master to represent the court, during government discovery proceedings against IBM, who had been a paid consultant for Memorex in its private antitrust case against IBM. Later, though there was no longer a case pending before him, Judge Edelstein granted—without notice to IBM or the government—a motion filed by a private lawyer with no standing (that is, no personal interest in the case other than *amicus curiae*, a friend of the court) seeking to reinstate the government's case.

It was, all in all, a fittingly grotesque conclusion for a case some have correctly termed the antitrust division's Vietnam and what almost all agree was the last massive monopoly case the division will prosecute for a long time. The IBM case was an intellectual, economic, and legal fraud from its inception, conceived in the dying days of the Johnson administration. IBM's only sin was in being too successful, too innovative, and too competitive. Nothing more. IBM won every single private antitrust case spawned by the government suit that went to trial, and it would have won the government case too.

Given the extensive publicity accompanying the IBM and AT&T cases and the subsequent attention given to the Reagan administration's antitrust policies, Dominick Armentano, a professor of economics at the University of Hartford, has demonstrated a superb sense of timing with the recent publication of a revised and updated version of his classic 1972 book on the myths of antitrust. Newly titled, *Antitrust and Monopoly: Anatomy of a Policy Failure*, the book is an immensely entertaining and satisfying attack on antitrust orthodoxy.

At opposite ends of the antitrust spectrum are the abolitionists and the enthusiasts. The abolitionists, like Armentano, are radical free-market types who regard the antitrust laws as a purely political phenomenon with no economic justification that ought to be repealed as a matter of principle.

Enthusiasts, like the late Sen. Philip Hart of Michigan and Sen. Howard Metzenbaum of Ohio, and their economic camp followers, also view antitrust from a political and social, rather than economic, perspective. They want to use the antitrust laws to reshape the economy into something more to their liking. Senator Metzenbaum, for example, made his fortune from government-granted monopolies at municipal airport parking lots and would not understand or



recognize a free market if it bit him on the leg.

In between the two extremes are the minimalists and the traditionalists. The minimalists, like Robert Bork and William Baxter, agree with the abolitionists that the antitrust laws make no economic sense. But, unlike the abolitionists, they cannot bring themselves to call for the laws' repeal. Instead, they argue, as Bork did unconvincingly in his 1978 book, *The Antitrust Paradox*, that antitrust laws were originally intended to help consumers and that courts ought to construe them in this utilitarian manner. This may be good news for consumers, at least in the short term. But, even though Bork admits that almost all price-fixing conspiracies are short-lived and fragile things and that prohibiting mergers merely protects inefficient businesses, he nevertheless advocates selective enforcement of these two parts of the antitrust laws to the virtual exclusion of all the rest, which he concedes are invariably anticonsumer in their effects.

The traditionalists cannot be bothered with such mundane distractions like economics. The law is the law, and what was good enough for Teddy Roosevelt and Chief Justice Taft is good enough for them. Judge Edelstein is a traditionalist (albeit one with a strange, unjudicial, and well-documented bias against IBM), as are most other federal judges with any significant exposure to antitrust. So are most of the members of the antitrust bar, plaintiffs, and defendants. To many of them, economics is something expert witnesses are supposed to know.

It is the traditionalist who will likely learn the most from *Antitrust and Monopoly*. For even if traditionalists, particularly those in the antitrust bar, deplore the excesses of antitrust in the 1970s such as IBM and the Federal Trade Commission (FTC) cereal companies case on "shared monopoly," most of them still believe in a golden age of antitrust enforcement that once rescued the country from the evil grip of monopolistic trusts. For them, Armentano is downright unfair. He tells us what really happened in all of those golden-age cases—E.C. Knight, Northern Securities, the Standard Oil Trust, the American Tobacco Trust, U.S. Steel, and even the classic price fixing case, Addyston Pipe.

Bork, in his book, particularly likes the court of appeals decision in Addyston Pipe by then-Circuit Judge William Howard Taft because it set down a "rule of reason" approach for dealing with price-fixing conspiracies under the Sherman Act, an approach long since discarded for today's *per se* rule. In his treatment of Addyston Pipe, Armentano, by way of contrast, emphasizes the facts—the low prices produced by the admitted conspiracy among certain regional manufacturers. He quotes testimony from the "victims" of the conspiracy to the effect that the prices were "the lowest that could be obtained from any of the pipe works in the United States."

Armentano's best, and longest, treatment of a single case is the Standard Oil Trust. In 18 pages, he presents the most clear, concise, and well-written history of the petroleum industry during the 19th century available anywhere. And those who might mistrust an abolitionist's version of history need only wade through early muckraker Ida Tarbell's *The History of the Standard Oil Company* (1904) to see that Armentano has got it exactly right.

Fortunately for the country, by the time the government got around to prosecuting Standard Oil in 1909, Standard

Oil had already, by its efficient and innovative business practices and technological improvements, substantially reduced the price of refined kerosene (from 26 cents per gallon in 1870 to 8 cents per gallon in 1885). Moreover, the trust by that time was already being broken up by competition—its share of the petroleum products market had fallen from 88 percent in 1890 (the year the Sherman Act was passed) to 64 percent in 1911 (the year of the Supreme Court decision affirming the judicial dissolution of the trust). Standard's own oil production decreased from 35 percent of the market in 1898 to 11 percent in 1906.

Armentano's book is weakest in analyzing more recent developments in antitrust, particularly those since 1972. Many of his chapters simply add a short discussion at the end covering post-1972 cases, with little effort to place them in historical context or to assess the current state of the law. These deficiencies in updating, however, are minor compared to the book's overall impact. Antitrust is a politically inspired consumer fraud now and has been from its inception. Armentano's book shows us this better than anything else around.

Michael McMenamin is an attorney and a frequent contributor to REASON *and* Inquiry.

Explaining Nozick

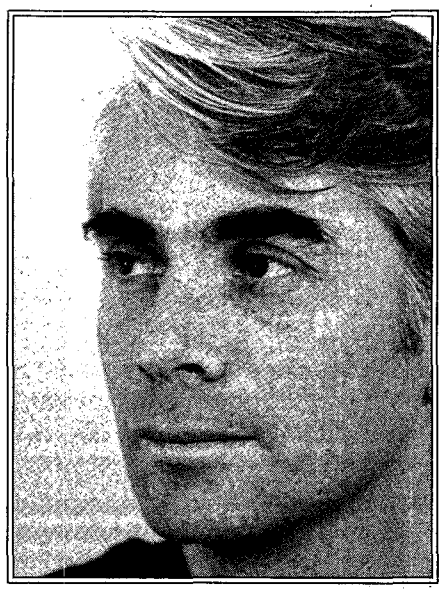
Philosophical Explanations.
By Robert Nozick.
Cambridge, Mass: Harvard University Press. 1981. 752 pp. $25.00.

Reviewed by Ross Levatter

You think you're reading this review of *Philosophical Explanations* by Robert Nozick, "but could you not be hallucinating or dreaming or having your brain stimulated to give you the experience of seeing these marks on paper although no such thing is before you?" Nozick's approach to this skeptical question—to my mind the most brilliant section of a brilliant and beautiful work—is that you can't *know* you aren't hallucinating, but you *can* know you are really reading this review.

This seemingly incoherent position follows quickly and gracefully from Nozick's daring postulation that knowledge is not closed under known logical implication, which means that knowing A and knowing that A implies B are not themselves enough to know B. (They may let you conclude B or believe B, but they don't let you *know* B—for philosophers, knowledge is a very strong claim).

The skeptic argues that since we all know that reading this review implies



Robert Nozick

you are not hallucinating, then not knowing you are *not* hallucinating must mean that you also don't know you're reading this review (if you knew that, you'd know you weren't hallucinating). Nozick counters that nonclosure means we can have it both ways.

How this can be flows from Nozick's discussion of knowledge as a subjunctive relation of belief to facts, of belief "tracking" facts (through nearby subjunctive worlds). This model of knowledge, its ability to handle the well-known "problem cases" and also to disarm the skeptic, is just one of the pearls of this amazing work of philosophy.

Heady stuff. But that's what we've come to expect from Harvard philosopher Robert Nozick. His first book, *Anarchy, State, and Utopia* (1974), made an impassioned case for a (or at least no more than) minimal state and developed an entitlement theory of justice—grounded (to a degree) in Locke and meshing well with libertarian theories of rights, ownership, and acquisition. The theory of justice wreaked havoc among establishment partisans of "patterned" theories by demonstrating that patterns, to be maintained, require constant interference in the peaceful, voluntary choices of millions of individuals. That book won the National Book Award, and now his second book, *Philosophical Explanations,* is demonstrating that Nozick's ability to write wondrous tomes, ponderous and provoking, is not a flash in the pan. Who is this man?

Robert Nozick is a libertarian but does not want to be known as a libertarian philosopher; he wants to be known as a philosopher who is a libertarian. And this was, perhaps, a problem. *Anarchy, State, and Utopia* was such a stimulating and provocative defense of individual rights that many who knew only this about him must have thought that this was all there was about him. After all, to have invested so much time, creativity, and ingenuity in a study of the (lack of) justification of state power, and a host of related issues, must have depleted his philosophic reserve.

With the publication of his second major work, we find it was not so—that, far from being depleted, Nozick's creative drive, brilliant insights, daring hypotheses, rigorous analyses, and childlike love of playing with ideas show no signs of exhaustion. They appear stronger than ever.

In *Philosophical Explanations* Nozick goes beyond libertarianism to wrestle with long-standing philosophic questions: What is the nature of the self and its continuity through time? Why is there something rather than nothing? What is knowledge, and how is it possible given what the skeptic says? How can there be free will? What is value, and does it have an objective grounding? What is the meaning and worth of life?

Nozick no doubt believes that the answers he puts forth to these questions are *generally* correct. (He's less certain about some of the details, saying at one point, "It is important...to learn how (and when) to *fake* things, to glide over topics with a plausible patina, trusting (fallible) intuitions that...something of that sort can be worked out—preferably by someone else.") But even though he believes his answers are good ones, he refuses to argue for his positions directly, claiming such action constitutes "coercive philosophy."

Why are philosophers intent on forcing others to believe things? Is that a nice way to behave toward someone? I think we cannot improve people that way—the means frustrate the end. Just as dependence is not eliminated by treating a person dependently, and someone cannot be forced to be free, a person is not most improved by being forced to believe something against his will, whether he wants to or not. The

valuable person cannot be fashioned by committing philosophy upon him.

Those who think Nozick is simply making an analogy here, or joking, should review his early essay entitled "Coercion," where he develops a rather encompassing notion of coercion. Of course (I assume), Nozick does not believe all coercive acts are actionable; he does not, for instance, believe you should be jailed for "committing philosophy" upon him. It appears that, for Nozick, "coercion" as a term is not confined to the political realm but falls within the (broader) moral realm, which is to say that Nozick sees coercion, even the nonforceful kind, as diminishing one's value—something to be avoided, even if not always prohibited.

If Nozick doesn't argue for his answers to those fundamental philosophical problems he tackles, what *does* he do? He *explains* how such questions can have answers by creating a wide framework within which many answers are possible, each with its own set of advantages and problems.

Nozick in a sense has created a philosophical or intellectual version of *Lord of the Rings*. As Tolkien whisks us away to journey in Middle Earth, a place teeming with surprises and adventure, so too Nozick draws us into a journey through his world of thought, also teeming with excitement and surprise. Both books contain lightness and wit but also a remarkable depth. And just as Tolkien's characters are first fanciful and fantastic but soon are seen as old friends, and often found to have more power than they first revealed, so is it too for Nozick's characters, his ideas.

In *Philosophical Explanations*, you'll meet the Closest Continuer (in the discussion of identity over time) and the Reflexively Self-referring, Self-synthesizing I (as the essence of the self). You'll observe the Nothingness Force and the Self-subsuming Principle (in an attempt to explain why there is something rather than nothing). You'll journey to a land where belief "tracks" facts and free will "tracks" bestness. You'll explore the notion of value as degree of organic unity and uncover the theories of ethical pull and ethical push. You'll learn about meaning and transcending limits, and through it all you'll have Nozick as your (suggestive but noncoercive) guide.

In acting as an explanatory guide over such vast and diverse territory, Nozick has explained as well the difference between a libertarian philosopher and a philosopher who is a libertarian. And he's shown himself as a phenomenal example of the latter.

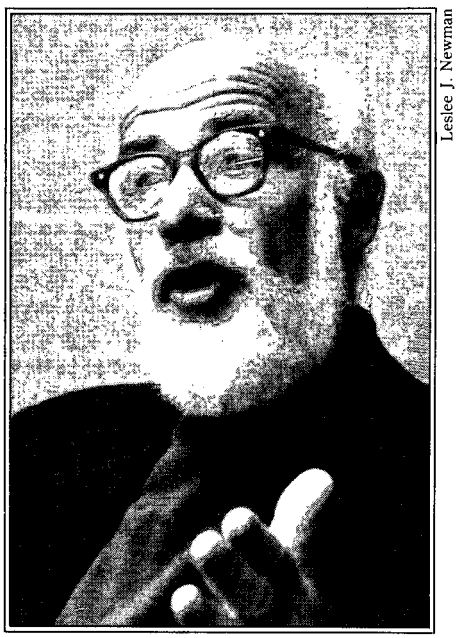
Ross Levatter has a degree in philosophy and is currently a resident physician in Ann Arbor, Michigan.

The Magical Malignancy Multiplying Machine

Radiation and Human Health.
By John Gofman.
San Francisco: Sierra Club Books.
1981. 928 pp. $29.95.

Reviewed by Howard Maccabee

John Gofman is the "brain trust" of the antinuclear movement, but can his brain be trusted? *Radiation and Human Health*, his "magnum opus," is presented as the definitive book in the field, but errors of logic and interpretation appear in almost every section. Gofman claims that virtually every other expert in the field of medical effects of low-dose radiation is wrong and that only his interpretation *and extrapolation* of the basic data can be correct.



Leslee J. Newman

John Gofman

For example, Gofman *"guarantees"* (his expression) one cancer death for every 268 person-rads of radiation exposure to the general public, while the most widely accepted study of this question roughly estimates that there *might* be one fatal cancer for every 2,000-5,000 person-rads. (The person-rad is a measure of radiation absorbed dose, equivalent to one rad given to one person, or 1/1000 rad given to each 1,000 people, etc.) Thus, Gofman predicts 10 to 20 times more fatalities from a given dose of radiation than does the National Research Council in its widely accepted 1980 BEIR Committee report.

He has claimed in media presentations that diagnostic x-rays are causing 90,000 deaths per year (nearly one-quarter of all cancer deaths), while the standard estimate is about 4,000. Note that an estimate of lives saved by diagnostic radiology would be greater than either of these numbers.

His alarming predictions of carcinogenic and genetic disaster from the small amounts of radiation exposure due to nuclear power have galvanized many uninformed people into blind fear of nuclear power generation. In a recent survey, college students ranked nuclear power as the most important health risk in the United States, whereas in fact the best actuarial estimate ranks it only 20th in importance.

Admittedly, this is a difficult field. Since experts do disagree, how are Gofman's assertions to be assessed? First, one must look carefully at his assumptions, his use of data, and the internal consistency of his arguments. Second, his predictions should be compared with facts. I have done both and consider his conclusions to be worthless.

Item: Gofman's comment on the 45 deaths observed in the study of an area of China with high natural background radiation is that "it is obvious that the number of cancer deaths is much too small to provide statistically significant results." But he himself uses less than 10 excess cancer cases found from the zero-to-nine-year age group at Hiroshima and Nagasaki as the basis for his entire edifice of calculations (the magical malignancy multiplying machine), without even a nod to the question of statistical significance or the possibility that there might be, in the lives of children who were bomb victims, other factors (stress, depression, loss of parents, chemical carcinogens, etc.) that increased the incidence of cancers.

Item: Gofman adopts a "relative risk" model that assumes the number of radiation-caused cancers is derived from the product (that is, multiplication) of the radiation dose and the spontaneous cancer rate. He uses "magic" to go from the observation that *many* different cancers have been found, with various

frequencies, in association with moderate radiation doses, to the grand hypothesis that *all* types of cancer are induced, at the same rate of increase per rad dose, by low-dose irradiation, regardless of dose rate.

He ridicules the alternate model, claiming that "the absolute risk method has no theory at all." In fact, the absolute risk method is equivalent to a perfectly reasonable theory—that the number of radiation-induced cancers is independent of the spontaneous cancer rate but does depend on the dose. This theory has just as much evidence as the first and is gradually becoming more accepted. It gives results that are not too dissimilar to those of the relative risk model when calculations are done by more responsible hands than Gofman's.

The radiation-health community, including myself, has learned much from Dr. Gofman in the past. He showed us that the combination of regulatory and promotional functions of the Atomic Energy Commission in the early '70s represented conflict of interest, resulting in its being split into the Energy Research and Development Administration and the Nuclear Regulatory Commission. He reinforced by endless repetition (and now exaggeration) the idea that fetuses and children are more susceptible to radiation effects than adults are. He helped turn our attention to the apparent violation of individual rights entailed in release of radioactive material (or any other pollutant) into the environment, where it can do potential harm to humans whose permission was not given.

Unfortunately, there is no easy solution to this last problem. For the problem is not one of nuclear power or even of *industrial* civilization: every time a farmer turns a furrow, more naturally occurring radon escapes from the earth to the atmosphere, increasing minutely the risk of lung cancer for everyone. Quite simply, "There ain't no such thing as a risk-free life."

Gofman's new book, however, is worse than worthless. It is potentially dangerous to the health of the public, disastrous to the nuclear defense of the United States, and could make world war more likely. If enough people were frightened by its (false) prophecy of damage due to medical x-rays, they would obtain needed tests less often, resulting in increased illness and death due to undiagnosed and untreated disease. If enough people were deluded into thinking, like Jonathan Schell, that *The Fate of the Earth* is the extinction of all life in case of nuclear war, they could be convinced (fooled) into advocating complete unilateral nuclear disarmament. If enough people around the world accepted its (false) message that nuclear power presents an unacceptable health risk, there would be more dependence on oil, with increased likelihood of war over Middle East petroleum supplies.

Luckily, the book itself will probably not have much impact. It is so grandiose and mock-encyclopedic that less than 10 percent of those who buy it will read it. It is so ill-conceived and badly written that less than 10 percent of those who read it will understand it. If reason prevails, less than 10 percent of those who understand it will believe it. If common sense prevails, the "magical malignancy multiplying machine," like any other pile of radioactive junk, will just decay away.

Howard Maccabee is both a physicist and a medical doctor who currently works as a radiation oncologist.

Eternal Vigilance . . .

A Plea for Liberty.
Edited by Thomas Mackay.
Foreword by Jeffrey Paul.
Indianapolis: Liberty Classics.
1982. 528 pp. $13.50/$6.00.

Reviewed by John Chamberlain

In a half-century of reviewing, I have never encountered a more sobering book than *A Plea for Liberty*, a collection of essays first published in 1891 by a now-forgotten English organization called the Liberty and Property Defense League. Written to combat the interventionist propaganda of the Fabian Society, and assembled by a successful wine merchant, Thomas Mackay, who had been an incisive critic of the English Poor Law, it presented a baker's dozen of absolutely first-rate demolitions of the welfarist arguments that were, in the previous decade, already being hawked by George Bernard Shaw and Sidney Webb.

Yet, despite the book's excellence, it failed utterly to halt a trend. The authors chosen by Mackay have, with the single exception of Herbert Spencer, been gathering dust for decades. English history has been written by the Fabian victors, who lived to see their cradle-to-grave socialist philosophy adopted by Tories no less than by Liberals and Labourites.

The mystery, today, is how such an intelligent band as Thomas Mackay's collaborators could have been so ineffective. They had a superior command of logic; they showed a deep understanding of the marketplace; and, with an intellectual ancestry going back to John Locke, Edmund Burke, and Adam Smith, they were in what everybody supposed was the mainstream of British tradition. Yet, for what is now close to a century, their names (Spencer's excluded) have meant nothing save to a few scholars such as Jeffrey Paul of Bowling Green State University, who provides the foreword for a new edition of a book that should never have been allowed to go out of print.

Following a general introduction by Herbert Spencer, which more or less recapitulates his *Man versus the State*, there is Edward Stanley Robinson's essay, "The Impracticality of Socialism." "The fallacy of Socialism," says Mr. Robinson . . . appears to lie in the assumption that labour has a value of its own, in and for itself. It has no such value. No material thing is valuable because of the labour expended in producing it . . . . Material things are valuable because they satisfy wants . . . . Commodities are exchanged for other commodities because some people have what other people want . . . ."

It does not detract from the value of Ludwig von Mises's classic *Socialism* and Friedrich Hayek's *The Road to Serfdom*, to say nothing of the contributions of the Austrian school of economics in general, to realize that Robinson had mastered all the arguments long, long ago about the inability of socialism to establish a workable exchange system. His criticism of the socialist idea that production can be planned in a system that does not permit private ownership, which is the necessary antecedent to individual choice in trading, is as devastating as anything written by von Mises 30 years later.

Robinson questioned the efficiency of the monopolistic post office, which the socialists of his day offered as an example of successful state trading. In a separate essay in Mackay's volume, Frederick Millar wondered why millions of samples of English merchandise were sent from London to be posted in Belgium back to every town in England at half the rates charged in England itself. The Millar article could easily be rewritten to apply to modern American postal service conditions.

Other essays in the book could as easily be updated to run in our modern magazines supporting individual freedom. The inanities—and insanities—of OSHA are foreseen in George Howell's essay, "Liberty for Labour." Though pitched to English realities of the 19th century, B. H. Alford's "Free Education" might easily have been adapted for an essay in a recent American symposium, *The Public School Monopoly*, published by the Pacific Institute for Public Policy Research. And the grand concluding article in the Mackay volume, "The True Line of Deliverance," by Auberon Herbert, with its justification for the claims of voluntary association, might, with changes in idiom, be passed off as an article by Robert Poole or Tibor Machan.

In reading a book written 90 years ago about individual freedom and the free market, it is sobering to realize that truths which should be obvious can be sidetracked for a century, leaving the jobs of exposition and explanation to be done all over again. *A Plea for Liberty* should have routed the British Fabians and forestalled cradle-to-grave Beveridge plans. But it didn't. Beginning with the revival of libertarian thought and Austrian marginal economics in the 1940s, we have picked up where Mackay's forgotten collaborators left off when Bernard Shaw and H. G. Wells shouted them down in the 1890s. But our own Fabians are devilishly persistent. It will be a terrible thing for the Western world if history repeats.

John Chamberlain is a syndicated writer.

Imaginative Philosophy

Thought Probes.
Edited by Fred D. Miller, Jr. and Nicholas D. Smith.
Englewood Cliffs, N.J.: Prentice-Hall. 1981. 362 pp. $11.95.

Reviewed by F. Paul Wilson

Whoever heard of discussing time travel paradoxes in philosophy class? I mean, really! Philosophy courses as I remember them seemed more interested in the philosophers themselves and in the schools of thought with which they were identified than with actually analyzing their ideas. Just one more course full of dull facts and names to be memorized and regurgitated on command.

Fortunately, that is not the case with *Thought Probes*. This text focuses on *ideas*. Through deft questioning, it encourages its readers to use their analytical abilities and put concepts to work, testing limits, finding strengths and weaknesses—in short: *to think*.

I freely admit that much of my enthusiasm is due to the text's use of science fiction stories to illustrate philosophical points. This is a legitimate academic use of science fiction, unlike the literary approach that tends to pull the stories apart and examine them with respect to plot devices, means of character development, narrative techniques, and so on; the result is the equivalent of a dissected frog—all its workings are exposed, but the damned thing doesn't jump anymore.

Science fiction and philosophy are made for each other.

The editors of *Thought Probes* have found a better use. They give a brief overview of an area of philosophy, followed by a story ("conceptual experiment," as they like to call it) concerned with that area, followed by a philosophical essay ("analysis") in the same area, winding up with questions ("probes") geared to stretch the mind. They make you analyze the content of the story. What was it about? What was the author trying to say? Do his concepts hold up under close scrutiny? Fitting treatment for a body of writing called "the literature of ideas." For that's what draws people to science fiction. Not cutesy writing styles and literary tricks—*ideas*. Ideas are also what draw minds to philosophy. And because so much science fiction begins with "What if..." and goes on from there, it is ideally equipped to probing matters of morals, ethics, metaphysics, and epistemology. The two are made for each other.

Fred Miller and Nicholas Smith appear to be no strangers to the two fields they bring together in their text. The depth and breadth of their knowledge of science fiction is impressive. They are familiar not only with the Big Name masters but with the Lesser Lights as well, giving numerous examples in the recommended reading sections at the close of each section. Many of the stories included in the text as "conceptual experiments" are among the most provocative ever written in a highly provocative field: Clarke's "The Star," Heinlein's "All You Zombies———," Godwin's "The Cold Equations," Niven's "Cloak of Anarchy," plus a couple of stories that are seeing print for the first time.

The editors appear to recognize no taboos. In discussing the question of God and the problem of evil, they give considerable time to atheism. On the subject of politics, they give full measure to the anarchist viewpoint, questioning the necessity of any government at all.

Of special interest to REASON readers will be the respect—almost deference, I might say—accorded the libertarian point of view, not merely in the political

COMING ATTRACTIONS

Speech Security Threat: A REASON investigation of how a federal agency is systematically ignoring citizens' rights to free speech in its zeal to protect consumers.

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Plus: Viewpoints from economic journalist Tom Bethell and libertarian pundit Murray Rothbard, health hints from bestselling authors Pearson and Shaw, and all of REASON's regular features.

context (the political "analysis" segment is an excerpt from Robert Nozick's *Anarchy, State, and Utopia*), but in the areas of free will versus determinism, morals, and values as well.

But most important, it's geared to make you think about things you wouldn't ordinarily think about. It starts the mental juices flowing. It sparks the mind. It makes thoughts, ideas, and concepts exciting. That's what a philosophy text should do but, as many of us know, too often does not. That's why *Thought Probes* is so special.

I never thought I could be enthusiastic about a philosophy text, but this is a wonderful book, a marvelous book. If you're a student or a faculty member, do your very damnedest to get *Thought Probes* into the curriculum. I truly wish it had been around in the mid-'60s when I was required to take Introductory Philosophy at Georgetown University. And if you're not a student or faculty member, well, you just might like your thoughts probed anyway.

F. Paul Wilson has written a number of science fiction novels, including An Enemy of the State, *recently reviewed in* REASON.

(Continued from p. 9)

was "old-fashioned," and they passed an ordinance against it. It was consequently ripped up, cut up, and freeways built. Five of these cars went to Ft. Worth where they were converted into double-ended operation and to this day still perform admirably, even though they were built 40 years ago!

Don Stott
Silverton, CO

Pols and Pilferers

In Brickbats (July) you printed the quotation: "Small crooks go to jail. Big crooks go to Congress." I'd like to expound on that.

During 50 years as a wage earner, I saved all I could to provide for my family's old-age security. However, deficit-spending, vote-buying politicians have stolen half of my life savings in the past 10 years alone! What they haven't stolen from the elderly generation of thrifty Americans, they have charged to their grandchildren. For the present generation of working Americans, they have destroyed the incentive to save for the future. Liberal(?) politicians are worse criminals than bank robbers. "There ought to be a law!"

Sigmund Hammer
Madison, WI

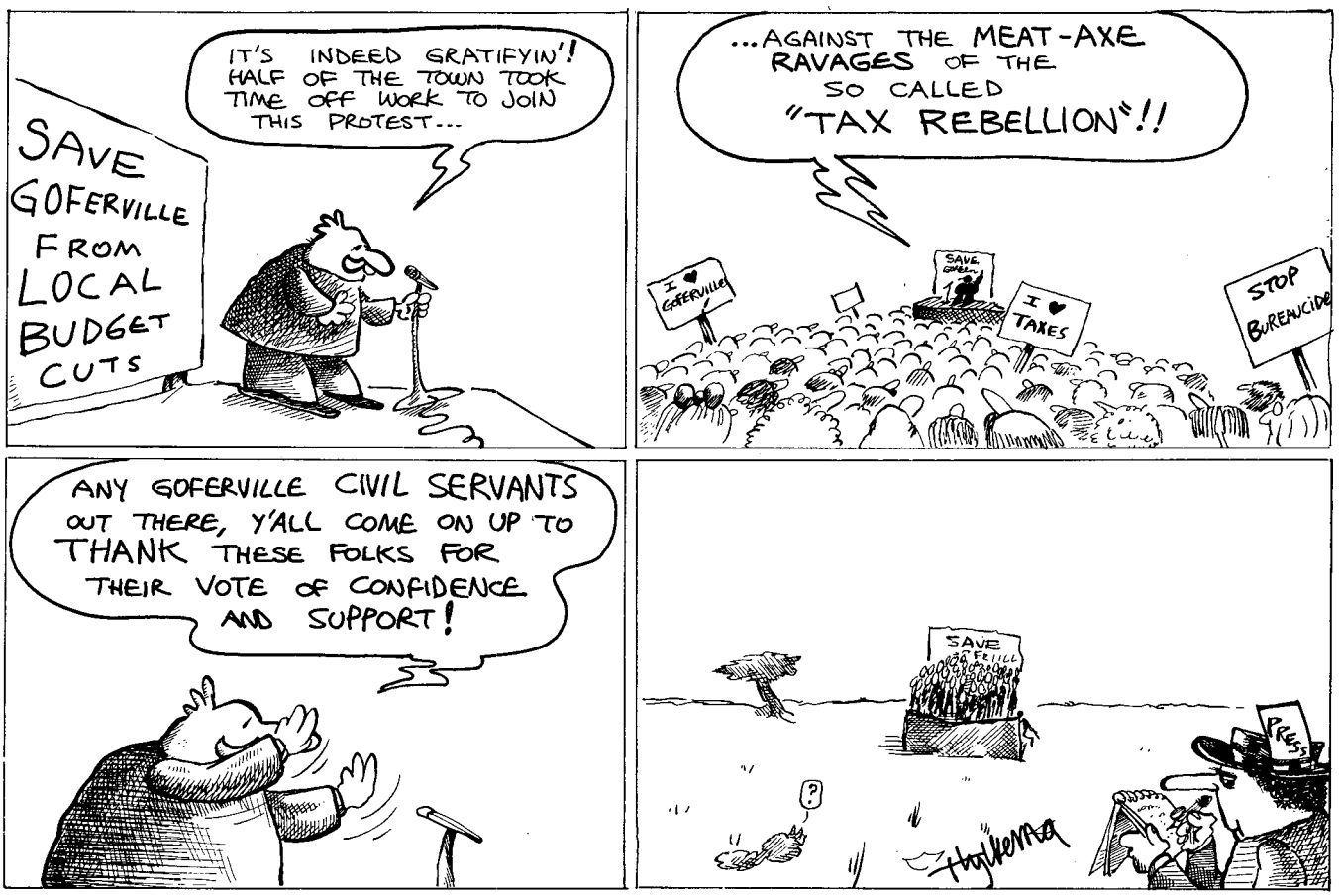
Elections vs. Amendments

James Dale Davidson's observation (Viewpoint, July) that the Libertarian Party is struggling against tremendously powerful established interests is not a new insight. His observation that political outcomes are largely determined by selfish behavior is certainly true.

But isn't it obvious to Davidson that the overall effect of government today is contrary to the self-interest of most Americans? Persistent inflation, high and increasing taxes, pervasive government regulation, the threat of nuclear war, jail sentences for nonregistrants and mari-

rudebarbs

RANDALL K. HYLKEMA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I ♥ GOFERVILLE
I ♥ TAXES
STOP BUREAUCIDE
ANY GOFERVILLE CIVIL SERVANTS OUT THERE, Y'ALL COME ON UP TO THANK THESE FOLKS FOR THEIR VOTE OF CONFIDENCE AND SUPPORT!
SAVE
PRESS
?
Hylkema

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juana smokers—are these in the self-interest of Americans? The American economy and our prospects for freedom and prosperity are literally being destroyed by the government. Current government policies work against the interests of most people and for the interests of a powerful few.

Libertarian Party supporters don't believe that the job of explaining who really wins and loses from government policies, and then getting people to vote for Libertarians, is an easy job. But we do believe that winning substantial public support through the political process is the best, if not the only, way to roll back big government in America....

It is naive to believe, as Davidson apparently does, that we can skip the arduous step of gaining public support for libertarian views and simply roll back the state by amending the state's own charter—the Constitution. Does Davidson really believe that the established powers and interests in America would allow Supreme Court judges, appointed by big-government Republicans or Democrats, to significantly weaken the government?...

Eric O'Keefe
National Director
Libertarian Party
Washington, DC

Health Cautions

REASON would presumably not wish to give ammunition to the regulators, yet it publishes Health & Welfare each month. Self-experimenters Durk Pearson and Sandy Shaw evidently cannot be held responsible for their advice, for they make claims no physician would dare voice: "[Vasopressin] had no side effects" ("Sex Play," July).

Vasopressin, also known as antidiuretic hormone, can constrict the coronary arteries (which supply the heart), raise the blood pressure, and even cause gangrene. It helps the body regulate salt and water balance, preventing the kidney from diluting the urine. An excess causes water intoxication with mental dullness, drowsiness, and eventually convulsions and coma. Because of this danger, patients with diabetes insipidus (who lack this hormone) are encouraged to use the minimum effective dose. Pearson and Shaw mention no similar caution when recommending the drug for its alleged value in increasing intelligence and enhancing orgasm.

Bromocriptine, a useful drug in Parkinson's disease, certain types of infertility, and pituitary tumors, is suggested to increase libido and possibly to thwart the "aging clock." However, its long-term safety is unproved. Already, adverse effects on the lungs and pleura have appeared.

The assumption that increasing the intake of precursors and cofactors will increase a metabolic product is not necessarily correct. The body inhibits the manufacture of many substances for its own protection, for example, histamine, which Pearson and Shaw would like to stimulate in order to heighten their sexual enjoyment. This noxious substance is normally made as a response to injury or stress. It causes pain and itching, secretion of acid by the stomach, and contraction of the smooth muscle of the gut and bronchi. The last may be a serious problem for the asthmatic. An *anti*histamine is one of the ingredients in most over-the-counter cold and allergy remedies....

Jane M. Orient, M.D.
Tucson, AZ

The editors reply: We recognize that Durk and Sandy subscribe to an unorthodox approach to health and well-being. We think they explain this well in their May column, "Conflicting Medical Worldviews." Obviously, we are not in a position to read the material in the field they are dealing in and thus to verify what they are saying in their columns. But we take seriously their own admonition that people should not take *their* word for it but should do their own reading and evaluation. Space does not permit our publishing their list of references for each month's column, but this is always made available to readers who send in a self-addressed, stamped envelope. Durk and Sandy make it available so that people can more easily take responsibility for their own well-being.

HEALTH & WELFARE

(Continued from p. 47)

While norepinephrine precursors such as phenylalanine and tyrosine are well suited to anergic depression, agitated or violent depression is better dealt with by supplements of tryptophan (see a forthcoming column for more about this).

You no longer have to be helpless when you feel drained of mental energy resulting from emotional stresses or overwork. Your solution may simply be improved nutrition.

A list of scientific literature on this topic is available through REASON. Send a stamped, self-addressed envelope and ask for H&W references, October.
Durk Pearson and Sandy Shaw are consulting scientists and authors. Their book, Life Extension, *was recently published by Warner Books.*

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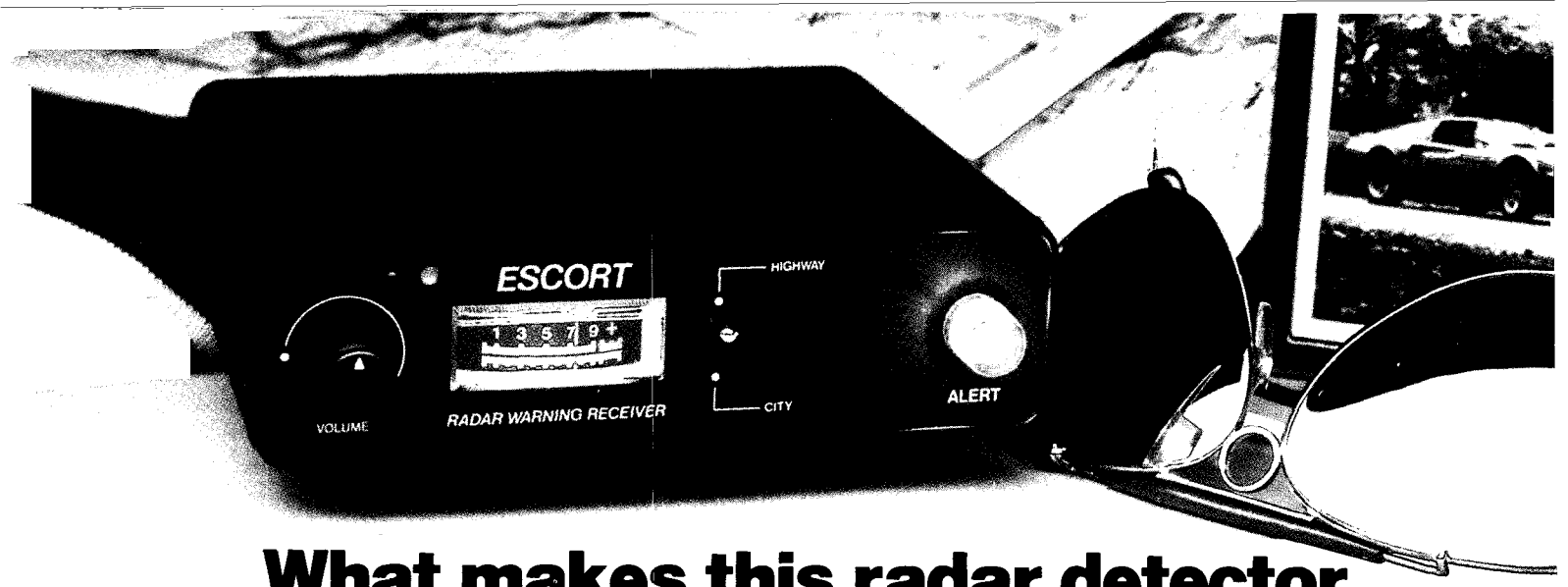

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